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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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11 August 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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POLISH-EAST GERMAN COAL MINING PLAN CALLS FOR SHIFTING RIVER BED

Warsaw RZECZPOSPOLITA in Polish 23 Jun 82 p 4

[Article by Krzysztof Szczesniak]

[Text] This subject matter applies to the brown coal in the vicinity of the Zylawa pocket, otherwise referred to as Turoszów. One of the veins already exploited there extends to the vicinity of ZITTAU-NORD which is located in East Germany. Its path intersects the Neisse River which represents the natural boundary between the two countries. A geological survey conducted on the Polish side revealed that near the river the coal deposits are relatively shallow and are readily available for exploitation.

If this was not border land the river bed could be shifted. The safety pillars of coal could be removed and the vein could be further exploited.

In such a case, however, the details of the entire operation must be agreed upon by both countries. A shifting of the Neisse on Polish territory is impossible because of the lack of space in the Turoszów pocket; lack of indispensable facilities for coal exploitation such as: power lines, conveyor belts, water removal equipment and the such. However, over 120 million tons of brown coal are at stake.

In 1977 the then existing Ministry of Mining, Electricity and Atomic Energy turned to the East German Ministry of Coal and Energy for help in solving the dilemma. The proposition was accepted, a mixed steering committee was summoned from Poland and East Germany. Four years of continuous discussions have also led to practically a complete arrangement of the details.

The Neisse River Plan of Action

East Germany at the outset expressed agreement to shift the river bed of the Neisse River onto its territory; thereby, making available to us (naturally with adequate compensation) 67 million tons of brown coal located in the East German pillars. In the order of priorities, plans for hydrotechnical works will be first. These should commence as soon as possible, this year or next. They will continue for at least 3-5 years.

During this period of time, a 12 km stretch of the Neisse River, from the Sieniawka area to Biedrzychowic, would be moved about 4.5 km onto the East

German territory; thereby, unveiling 2.27 sq km of land which will be ready for strip-mining. Following the removal of water, the extraction of coal is foreseen to commence in 1988 and ending in the year 2003. In the year 2010, the reshifting of the Neisse to its original river bed would begin, and our neighbors beyond the Western borders having an open vein to the North from Zittau could begin its further exploitation. The Polish counterpart is prepared to provide basic and transport machines in return.

Such were the plans. How do they appear in reality? In conjunction with Poland's political and economical situation during the past year, as well as the reorganization of the ministries, the scheduled discussions were not undertaken. Our partners concluded, frankly, that we withdrew from this plan. However, it was not and is not so. In March of this year, a document was directed to the Minister of Coal and Energy of East Germany, W. Mitzinger, by the Minister of Mining and Power Engineering in Poland, the Divisional General, Czeslaw Piotrowski, proposing the reactivation of the work of the steering committee; and in May it culminated in the meeting of both Ministers in Berlin. Meetings involving the steering committees were planned. Hence, there is hope that even this year the agreement will be finalized, which will make possible the beginning of work. Time plays a tremendous role in this case.

#### Constructing a Power Plant in Zatonie?

If the negotiations were successfully concluded, it would enhance the possibilities for the erection of another power plant next to Turoszów using brown coal at Zatonie with an output of 75 MW. For the moment it is only a project whose reality depends upon an accurate and detailed evaluation of the resources in the Toroszków pocket. Access through East Germany to the coal locked up in the pillars will confer upon this project a reality, and permit the profitability of eventual investment.

In this situation, the sooner the construction of Zatonie is undertaken, the better will be the cost effectiveness; to say nothing of the additional amount of electrical energy and support to the aging, year by year, Turoszów power facility. Actually all hinges on our economic situation; on whether the money will be available for such a rather admittedly expensive investment.

9951

CSO: 2600/774

DIFFICULTIES IN OPERATING, MAINTAINING FARM EQUIPMENT OUTLINED

Sofia ANTENI in Bulgarian 30 Jun 82 pp 1, 4-5

[Article by Tanya Yoncheva: "Iron Has a Soul Too"]

[Text] People and equipment in the mud of machine yards in  
Mikhaylovgrad and Vratsa Okrugs

On this day the combines in Byala Slatina were supposed to be in full readiness for the campaign. Instead we saw in all the repair yards dismantled axles and other parts which were untouched and only 12 of the 62 combines of the complex were more or less in good shape as if the crop harvest days were far away, although those machines covered with mud and weeds would decide the fate of the campaign.

And then rivers of grain will begin to flow, some in the direction of the warehouses and others...down the mowed rows, dozens and hundreds of tons of grain! And just as much will be wasted this year as well by the combines of the APK (Agroindustrial complex) in Byala Slatina and the fields and ruts in most complexes in Vratsa, Mikhaylovgrad, Vidin, Pazardzhik and other okrugs. This will be another reminder that the people always need bread and that it is the winter and the spring that provide the year-round food!

All of this is well known and one could hardly find a farm specialist and manager who would disagree with us. But that will be all. This is where the understanding of the problems and the specific aid in funds for the construction of centers for the protection and repair of equipment stop. That is why this year again machinery worth millions of leva was left to spend the winter helter-skelter on the barren meadows, in snow, mud and weeds. And it was there again, almost at the last minute before the harvest that it had to be repaired. How, is the question? If this could be accomplished with a magic wand we could say as in the reports -- ready for the campaign. Otherwise one can only guess at the state of readiness of the combines, even those which were able to pass the technical tests. The reason is that in May neither spare parts can be found nor the machinery dismantled totally, as stipulated, regulated and tested. Even if testing stands were available, where could they be set up? In the mud? In Vratsa Okrug only 15 of 79 brigade bases have permanent roofing; 19 have repair shops (half of them unsuitable for work) and 23 are in sheds.

In 93 of the 117 bases in Mikhaylovgrad Okrug the machinery is in the mud. In Vidin Okrug 102 of 113 bases have no hard flooring and only 19 have enclosed repair areas. All in all, 68 percent of all machinery yards in the country have no roofing, more than half have no repair workshops of any kind, two-thirds have no sheds and 72 percent have no work premises. With the exception of Tolbukhin and the other okrugs in Northeastern Bulgaria, there are bases everywhere which sink into impassable mud the moment the rain starts falling. As to the machinery, all we can do is (somehow) pray that parts will not be stolen and that it will not rot in the snow and the rain... Well, some may say, iron has no soul. This is the truth.

#### What About the People?

Now we come to the most important part. The main trouble is not that very expensive equipment becomes unusable in 2-3 years in neglected farm yards. Machinery can be purchased and the funds to purchase it can always be found, but it is difficult to make the people return to the mechanizer brigades. Skilled workers will not remain to work in the mud, in former stables and crumbling workshops which lack even most basic working conditions. This the problem. We are falling increasingly short of combine operators, mechanics and engineers. In Mikhaylovo Village, Vratsa Okrug, we were told that "No new workers are coming and those who remain are almost all elderly. They too will leave in 2-3 years. What do we do then?"

Grigor Trifonov, Mikhaylovgrad Okrug BCP committee secretary for agricultural affairs: "Equipment utilization in the okrug is dropping because of shortage of mechanizers. We are also short of skilled repair workers."

Ivan Yonin, chief of the workshop in Vulchedrum, Mikhaylovgrad Okrug: "We have a high turnover. Recently 12 people left us."

Mladen Mladenov, chief of the workshop in Yakimovo Village, Mikhaylovgrad Okrug: "Our third class workers earn some 100 leva monthly. How can we keep the young? Three left last year and the others are looking at the outside. It looks as though only the retired will remain."

The situation has become so bad that machinery and electronic systems are being entrusted to ignorant people, who wreck them in the course of a single season. The combines are wasting grain because they are not regulated and run properly. But who is there to regulate them and with what? Only 9.4 percent of Vratsa Okrug mechanizers have a first class rating and 13 percent have a second class one, and 20 percent of all tractor and machine operators are over 50 years old; 48 of the 90 specialists in engineering jobs have no higher training. In Mikhaylovgrad Okrug there are 11.85 conventional tractors per repair worker, compared with the national average of 9.5. One can see how "hard" both okrugs have been thinking about how to retain the people in the brigades. Otherwise, they would have hardly needed to rely on machine yards built 10-15 years ago.

"No, 23 years ago," I was corrected by the mechanizers in Gabrovnitsa Village, Mikhaylovgrad Okrug. "We moved to this "workshop" in 1959. Before that it had been a cow barn. We simply led the animals out and brought the



machines in. Repairing the building? We are lucky that the roof has not caved in."

#### Spare Parts in the...Manger

Such was the picture we saw in the darkness. A flimsy building, classified as the repair workshop of the APK. It has a dirt floor on which the people lay planks when they slide under the tractors undergoing repairs. There is no draining and one feels uncomfortable to even ask about ventilation or most simple tools. The shop is too small for combines.

"The trouble with our workshop is that its ceiling is very high," the combine operators in Turnak Village, Vratsa Okrug, told us, pointing at the sky. The "ceiling" is indeed high... As to other features, we have seen mud elsewhere as well. Yet demands are modest: first of all a roof, so that the people can repair the machinery in a dry premise in the winter.

If even a single suitable work premise had been made available to the brigade in Komarevo Village of the Byala Slatina APK, other than the stable which has been considered a workshop for the last 22 years, useless as it is, the combines would have been readied, the mechanizers would have found the time to do double-shift work and the young people from the village would have remained at the base.

But let us see what is under construction in Mikhaylovgrad and Vratsa Okrugs to shelter mechanizers and equipment. Angel Stoyanov, chairman of the Mikhaylovgrad APK: "It is not excluded that some funds may become available next year. We have none for the time being."

Borislav Dimitrov, deputy chairman of the Mikhaylovgrad Okrug Agroindustrial Union (OAPS): "This year we have been granted funds only for the base in Lom, but even for that the bank will not release funds since the APK has no funds of its own."

Engineer Ivan Ivanov, chief specialist in charge of mechanization at the Vratsa OAPS: "This year the okrug agricultural organizations must provide 250,000 leva for paving machine yards."

Engineer Dimitur Stanev, chief specialist in charge of repairs of the National Agroindustrial Union: "We shall be forced to ask the State Committee for Planning for additional funds for the construction of bases. The funds we are being currently allocated are extremely inadequate. If we continue this way the problems will not be resolved even 10 years from now."

#### Give the Bases Priority!

For many years the material and technical mechanization facilities in the okrugs we mentioned have been developed only with leftover APK funds. This has led to severe cadre difficulties. Obviously something is wrong with the allocation of capital investments. We ask: Is it more advantageous to spend millions of leva every year on new equipment instead of a lot less on creating normal conditions for storing and repairing usable equipment?

We also ask who will replace the retirees who have remained at work in the repair shops? Who will handle the new highly efficient tractors and combines? Is it accidental that machine efficiency is declining year after year while outlays for repairs, fuel and lubricants and costs per conventional decare plowing and machine idling are rising? In Vratsa Okrug alone tractor idling in 1981 was the equivalent of the year-round idling of 390 machine units! We also ask by what means will agricultural mechanization attract young specialists and workers?

It is high time to sound the alarm on this subject, so that everyone can realize that the building of technical service bases brooks no delay. Over the next few years less funds should be spent on livestock premises, perennials, basic herds and machines so that some money could be left for machine yards! Reserves exist in all okrugs, and APK. They have been discovered not only in okrugs such as Tolbukhin, Varna, etc., but in individual complexes in Vratsa and Mikhaylovgrad Okrugs as well, such as Knezha, Khayredin and Dulgodeltsi.

Having underestimated mechanization requirements for so many years, let us finally put them on the agenda!

5003

CSO: 2200/124

GERMAN DEMOCRATIC REPUBLIC

PROBLEMS OF ECONOMIC GROWTH UNDER NEW CONDITIONS DISCUSSED

West German Commentary

Bonn IWE-WIRTSCHAFTSDIENST in German Vol 23 No 10, 4 Mar 82 p 1

[Unattributed report: "Against Economic Growth at Any Price"]

[Text] Prof Klaus Steinitz, director of the Central Institute for Economics, GDR Academy of Sciences, has come out against economic growth at any price. A high growth rate was no "end in itself," but the key question was how and on what basis economic growth was achieved. Economic growth relying on too high an investment of extra resources and energy, labor and funds led to excessive strain and disproportions in economic development. Under such conditions, the expenditures for production growth were too high. Disturbances arose which negatively affected efficiency improvements and, ultimately, the benefit growth should lend to improving the public supply situation and solving the foreign economy problems. Only if one succeeded in significantly reducing specific raw material consumption and, moreover, labor and certain raw materials and energy sources in absolute terms, could a high growth rate help strengthen the economy.

Economist Urges Further Study

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 30 No 2, Feb 82 (signed to press 15 Dec 81) pp 178-197

[Article by Prof Dr Klaus Steinitz, economist, deputy director, Central Institute for Economics, GDR Academy of Sciences: "On Some Problems of Economic Growth Under the Conditions of Intensively Expanded Reproduction"]

[Text] The tasks of ensuring a high and stable rate of economic growth and the conditions connected with them occupy a central place in the economic and social policy of the working class party in all phases of the development of communist society. In the SED Central Committee report to the 10th party congress, it is stated: "The Central Committee has always treated the strengthening of our material-technical base, economic growth and the improving of our labor productivity as central tasks in the shaping of the developed socialist society. Stable economic growth is indispensable for socialism because men's needs and our socialist society's requirements keep developing, and we can only distribute what was produced beforehand."<sup>1</sup>

This description of economic growth holds true for all phases of socialist development, the building of the foundations and the all-inclusive construction of socialism, as much as for the period ahead in which the developed socialist society is shaped further and the basic prerequisite are hence created for the gradual transition to communism. Now there are considerable differences among the various phases of socialist development regarding the specific requirements and concrete content of economic growth and its connection with other social processes, such as scientific-technical progress and the perfecting of the production structure as well as of the growth conditions. We shall look somewhat closer in this article at the specifics of economic growth under the conditions of the intensively expanded reproduction of the 1980's.

As elements of the economic strategy, the 10th SED Congress described the requirements for the growth of social production and intensively expanded reproduction.

"In our economic strategy for the 1980's, high dynamics in social production and the national income go hand in hand. This strategy is based on, and encourages, production growth. Our standpoint on the growth of social production by no means comes down to slighting the objective changes in the preconditions for it. Still, the answer cannot be to do without high growth rates. In conformity with our concept, they rather have to be achieved still more consistently by means of qualitative growth factors.<sup>2</sup> Socialist intensification increasingly becomes a critical characteristic of our planned economy. Management, planning and stimulation, each step toward fashioning production conditions, and every project in the combines, enterprises and cooperatives must conform to this main trend in our economic growth as much as must the further development of our territories."<sup>3</sup>

Economic growth and intensively expanded reproduction stand out in our economic strategy. They encapsule the effects and results of all other major points in our economic strategy. Economic growth and intensification are going to be linked ever more inseparably and more closely during the 1980's in the GDR. Based on socialist production relations, the successes in enforcing our intensively expanded reproduction must crystallize in a high rate of economic growth to satisfy men's expanding needs. Intensively expanded reproduction with no or only a small economic growth, as typical of longer periods in capitalist countries, would contradict the basic economic law of socialism, the unity of economic and social policy. At the same time it holds true under the reproduction conditions of the 1980's that dynamic and stable economic growth can come about only by way of intensification. A highly dynamic national income will be inconceivable in the future without significant advances in enforcing an intensively expanded reproduction.

National income growth rates dropped in recent years in several socialist countries. The 1981-1985 five-year plans also anticipate lower growth rates than the average of the 1970's (cf Table 1).

Despite this drop in growth rates in some socialist countries, the rate of growth in national income was circa twice that of the OECD countries in the CEMA countries in the 1970's. Also the growth rates anticipated for the 1981-1985 period far exceed even the most optimistic forecasts for the capitalist industrial countries.

Table 1: Annual Average National Income Growth Rates (in percent)

	1971/75	1976/78	1979/80	1981/85
Bulgaria	7.9	6.0	6.3	4.6-5.4
GDR	5.4	4.2	3.8	5.1-5.4
Poland	9.7	5.1		
Romania	11.3	8.9	4.3	6.7-7.4
CSSR	5.5	4.2	2.8	3.0-3.2
USSR	5.7	5.1	3.2	3.4-3.7
Hungary	6.5	5.4	1.4	2.7-3.2

(Source: Computed from "Statistisches Jahrbuch der DDR 1981," Staatsverlag der DDR, Berlin, 1981, p 4\*; for 1981-1985: "More Economic Strength in the CEMA Countries," DIE WIRTSCHAFT, No 10, 1981, p 29).

In connection with these manifestations and the more complicated domestic and foreign reproduction conditions in the 1980's, among economists in the socialist countries there has been a resurgence in the discussion recently about the importance of the rate of growth and the trend of declining growth rates. To assist in an objective and constructive examination by Marxist economic scientists of the various issues connected with it, it is imperative clearly to define the theoretical points of departure for the conception on economic growth. That is to be served, among other things, by the following considerations.

1. Economic growth--and this applies to the real growth process as much as to its being reflected in theoretical and ideological debate--is an integral part of overall economic and social development in the economy of the socialist states and, with it, encapsulates some important aspects of that development. The real processes and the problems of economic growth reflect basic tendencies, interconnections and contradictions in the social and economic development of socialism. In that sense, growth is embedded in the social and economic development of the socialist countries as a component, the result and, at once, one of its most active and formative elements. Economic growth is a component of expanded reproduction. It is merely a different term for decisive results of expanded reproduction. Exploring new conditions and effects of economic growth thus essentially calls for an analysis and disclosure of the new internal and external reproduction conditions and their repercussions for the expanded reproduction of production results.

2. Some new or modified aspects mark economic growth in the current developmental phase of the European socialist states determined, essentially, by the transition to the type of intensively expanded reproduction and penetrating changes in the internal and external reproduction conditions. They relate to the growth conditions and factors and to the content and the effects of the growth process. In this context the demand is sometimes made for changing over to a new type of economic growth. This essentially amounts to the transition to a new type of expanded socialist reproduction, an intensive type of reproduction. Only derived from it and, actually, embedded in it, not along with it or as a special set of problems, does it make sense to speak of a new type of economic growth. It means that only to the extent that the transition is made to an intensively expanded reproduction can one also realize the new economic growth requirements. But it also means that under the changed reproduction conditions of the 1980's, the development of the factors, content and results of economic growth reflects important processes and aspects in the transition toward intensively expanded reproduction.

Our economic growth rate concept for intensively expanded reproduction conditions has to be spelled out more specifically, especially in terms of the following complex issues: Perfecting the relations between economic growth and the goal in socialist production; the changed conditions for economic growth, especially in consequence of the accelerated scientific-technical progress and the more complicated conditions for resource reproduction; and the modification of the substance of economic growth and of its sources and results.

#### Relations Between Economic Growth and Goal Implementation

Fast economic growth must not be considered an end in itself. Rather, economic growth is a means and tool for implementing the goals of socialism and resolving problems and contradictions in socioeconomic development. That connection is given with the nature of socialist property. During the various phases in socialist development, it appears in specific and always different forms.

With the continued shaping of the developed socialist society in the GDR, certain changes occur in the position of economic growth within socialism's system of goals. The connections between economic growth and social development, in terms of the upward development of the totality of the productive forces and production relations, and of progress in all domains of public life, become closer, more direct and more inclusive.

Developed socialism calls for economic growth aimed at continually and stably satisfying men's developing needs and productive needs. This, in particular, raises the following objective demands for economic growth in the 1980's.

First: a stronger sociopolitical effect by growth on men's all-round development with a higher degree of satisfying their material and intellectual-cultural needs. That brings more to the fore such matters as closely combining higher achievements with improved working conditions and improving the qualities and properties of products and services meant for satisfying public demands. That also provides more favorable preconditions for shaping the causal chain from economic growth to an improved satisfaction of demands to the development of motivation and dedication by the working people to more efficient production and to the further improvement in economic growth, developing productive forces and socialist production relations as objective requirements and opportunities permit.

Second: a closer intertwining between economic growth and the upward development of socialism's material-technical base. Growth must be combined with the kind of dynamic change in the proportions and structure of production and with the kind of improving product quality, that the technical-economic level of the material-technical base can be raised in conformity with the requirements of the scientific-technical revolution. Economic growth thus will have to be judged increasingly by how it contributes to bringing the results of scientific-technical progress to bear, not just point by point but comprehensively and in a complex fashion, on our material-technical base and to further developing in an integrated manner all fields of production and of the nonproducing sphere. This raises objective higher demands for perfecting the structure and proportionality not only of production growth but of all production, and for the quality of all tools and labor items that will satisfy production needs. With it, there also arise higher demands from

such economic growth for the material-technical base. Modernization, renovation and the proportionate development of the material-technical base must be raised onto such a high scientific-technical, economic and organizational level and carried out with so much complexity that the conditions for long-term stable and effective economic growth are ensured. That means, for one thing, developing the infrastructure that is needed for a smooth running of the reproduction process and ensuring the conditions for preserving and reproducing the natural environment.

Third: a still more consistent and intensive entwining of economic growth and efficiency improvements with an all-round intensively expanded reproduction. Under developed socialism, economic growth must mainly be analyzed and rated in terms of the expenditures in embodied labor, energy, raw materials, materials and basic assets invested. The contribution to the development of the economic end product and to socioeconomic progress as such differs with respect to a given production growth, depending on whether it came from extra or unaltered resources, or even in spite of resources returned. The smaller the resource consumption per unit of output, the larger will be, other conditions remaining equal, the possible contribution by any given production growth to improved demand satisfaction and to ensuring long-term growth conditions. Improving the effectiveness of the reproduction process, constantly improving the ratio between resource utilization and end product, increasingly is becoming the basic question in dynamic and stable economic development. This interconnection applies not only to the economy per se but to all partial systems as well, to the combines, enterprises and cooperatives.

Under the conditions of intensive reproduction, the relations between growth and efficiency are much closer and diversified than under strongly extensive economic development. Efficiency improvements, including the constant improvement of qualities and output, must increasingly become the main source of economic growth. A highly speeded up economic development is possible, today and in the future, only by way of an intensively expanded reproduction which more definitely taps all the potentials of the qualitative growth factors and of efficiency improvement. The high demands made on economic growth, resulting from socialism's internal development conditions as well as from various external conditions, in their core amount to higher demands on increased efficiency.

There still is another aspect to the unity between growth and efficiency in socialism: the possibilities arising from efficiency improvements must fully be brought to bear on high stable economic growth. Only then can the possibilities that inhere in higher efficiency be applied to a better and more comprehensive implementation of the socialist production goal. Precisely in this unity between production and efficiency growth, between steady growth and improving the working people's standard of living, lies one of the basic advantages socialism has over capitalism. And precisely in recent years, capitalism's fundamental inability, due to the nature of its property relations, in converting the accelerated scientific-technical progress into stable economic growth has been confirmed. So as to still more comprehensively implementing the superior socialist mode of production in practice, very great importance attaches to further perfecting this dialectical unity between efficiency growth and the satisfaction of demands in the 1980's. The economic strategy of the 10th SED Congress is aimed at still better combining a stable and fast economic growth, of annual national income growth rates of 5.1 percent, with a higher efficiency and sociopolitical effectiveness of such growth.

A basic task is to apply still more effectively the social impulses and the mode of planning in economic development to accelerating the scientific-technical progress and enhancing its economic and social results. The components in the national income that are set aside for improving the population's material and cultural standard of living must not solely be found in the results of economic growth and the elements of final disposition. What matters especially is to use the potentials for a stronger motivation and performance willingness on the part of the working people they contain, for future efficiency improvements and dynamic economic growth.

Proceeding from these higher demands made on economic growth, as they relate in particular to its effectiveness in demand satisfaction and to perfecting the material-technical base, and to efficiency improvements as a basis for long-term stable economic dynamics, there then also arises the need to specify the criteria and parameters of economic growth. The economic aggregates, national income or economic end product, continue to be the most important general growth categories. But they are not enough for a differentiated and discriminating analysis and rating of growth. That is also particularly true with respect to international growth rate comparisons.

For a greater precision for the criteria and parameters of economic growth, one ought to take account of the following requirements:

1. Criteria and parameters with respect to improving the production structure and the products' intrinsic value level. Of importance to that is an improved comprehension mainly of the following interconnections and processes: the renewal rate in production (the proportion of newly developed products in the overall production volume); the higher intrinsic value level of the newly developed products; the dynamics and production shares of products (materials, components and finished products) that determine scientific-technical progress; and a higher degree of production refinement.
2. Criteria parameters with respect to the effectiveness of growth for the population's satisfaction of vital material and cultural needs. That also includes processes that are important for men's all-round development not expressed in terms of growth, such as the improvements of working conditions, the extension of leisure-time, or the development of nonproductive achievements.
3. Criteria and parameters expressing the effectiveness of growth to renewing and strengthening the material-technical base and the reproduction and preservation of natural resources.
4. Criteria and parameters reflecting the effectiveness of growth in a more efficient handling of foreign economy relations, especially in boosting export capacity and effectiveness.
5. Criteria and parameters defining the effectiveness of economic growth, especially the relations between the growth of resources and the production results. Of special importance are the relations between the growth in effectiveness of the production factors or resources and the growth in production results and the relations based on them between the saving and expansion of the resources of the social labor capacity, the energy and raw material potential and the basic assets. This



involves a differentiated analysis and evaluation of the conditions and possibilities for increasing the effectiveness of various production factors or resources as well as the assessing and rating of overall effectiveness and is a task that could up to now not be solved.

The problem with all these criteria and parameters is that they but more or less accurately reflect certain aspects of growth. For the most part they are important economic growth indicators and can evaluate economic growth in a more penetrating and differentiated manner. What they cannot do is express uniformly and in summary fashion economic growth as result of intensively expanded reproduction directly.

#### Changed Conditions in Economic Growth

The changed conditions for economic growth are identical with the changed reproduction conditions. They are based on a contradictory unity between harder, worse, and more favorable conditions. To arrive at a real assessment of future economic growth possibilities, both aspects and directions in the effects from changed reproduction conditions have to be taken into account.

As to the harder conditions for economic growth in the 1980's, the various and highly differentiated processes and interconnections may be summarized in the following three ways:

First: A dynamic economic growth with annual growth rates for the national income and for industrial commodity production of more than 5 percent has to be ensured while the resources in manpower, energy and raw materials in principle remain the same or increase but slightly.

For the economically most important energy sources, raw materials and material, the ratio between the two sources of production growth--increased production and reduced specific consumption--has to be reversed from circa two to one in the 1960-1975 period to circa one to nine in the 1980's.

The necessary turnabout also becomes apparent in that the extremely high rates in cutting back jobs and reducing specific energy and raw material consumption, which have to be maintained over the long run, cannot be accomplished, on the economic scale, by using more investments and basic assets but have to go hand in hand with a reduced investment and basic assets intensity.

Whereas the basic assets quota (national income per unit of basic assets) dropped in the 1970's, the current five-year plan aims at raising it by circa 5 percent, from M 350 per M 1,000 in basic assets in 1980 to M 368 in 1985. Investment growth will also be much lower in the current five-year plan than in the previous one, when it came to 30 percent.

Such a reversal of the previous trend in the development of the basic assets quota and investment effectiveness, while higher demands are being made on the substitution effects of investments through saving labor, energy and raw materials, can be achieved only through a higher qualitative level in the investment process and in basic assets reproduction. The emphasis is placed on a close and effective connection between the investment process and scientific-technical progress, on a

faster application of scientific-technical data to existing basic assets by way of their modernization and on a higher full-capacity use of productive modern basic assets. The shaping of still closer relations between the investment process and scientific-technical progress mainly involves two aspects crucial for economic growth: for one thing, a still stronger concentration of the investment potential on implementing innovator processes at higher speed and greater spread; and then, the elaboration and implementation of all investment projects on the basis of the most up-to-date and efficient results of science and technology. Only if investments are aimed at the materialization of the scientific and technical achievements most effective under the GDR's conditions, can they contribute at their full potential range to the intensification of the reproduction process and, hence, to economic growth. Investment lagging technically behind international standards give rise to extensive tendencies and cause disproportions. Thereby they also affect economic growth negatively.

The longer duration in the use of important production equipment prescribed by the 1981-1985 Five-Year Plan directive, from 15 hours per day in 1980 to 16 or 17 hours in 1985 has a twofold effect on economic growth. Not only is it tantamount to enlarging the basic assets in question to from 7 to 13 percent in the course of 5 years and to saving investments that would otherwise be necessary for it, it also means that the structure of the basic assets used can be shifted toward possibly higher savings and growth effects.

The changed reproduction conditions increase the need to realize an all-round intensive expanded reproduction, based on the unity of the types of expanded reproduction that save labor, material and energy and basic assets. Table 2 shows the reversal of the trend to be achieved in the current five-year plan.

Table 2: Growth Rates of the National Income or Industrial Commodity Production in Relation to the Growth Rates for Important Production Elements

	1971/75	1981/85
Growth Rate of Industrial Commodity Production:		
Growth Rate of Economically Important Energy Sources, Raw Materials and Material	1:0.6	1:0.1
Growth Rate of National Income:		
Growth Rate of Basic Assets	1:1.1	1:0.8
Growth Rate of Industrial Commodity Production:		
Growth Rate in Workers and Employees	1:0.2	1:0.1

(Source: Computed from "Statistisches Jahrbuch der DDR 1980," Staatsverlag der DDR, Berlin, 1980, pp 13, 14, 115, 124; E. Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED," Dietz publishing house, Berlin, 1981, p 54).

In coping with these new requirements, the GDR can rely on important advances, especially in recent years. While the specific consumption of economically important energy sources, raw materials and material did drop by 3 percent annually between 1976 and 1978, the two final years of the last five-year plan accomplished a drop by an average of 5 percent.

Job cutback and savings in important raw materials, energy sources and basic assets are becoming ever more imperative for progressive structural changes and for enhancing production flexibility in conformity with the scientific-technical progress requirements and demand trends.

Second: There is a rising trend in the specific allocations for the reproduction of important elements and conditions of the reproduction process, mainly due to the increasing resource shortages. That is particularly true of energy sources and raw materials and environmental protection, but of some aspects of the social labor capacity as well. Altogether, the more expensive factors will much increase in the 1980's as compared with developments in the mid-1970's.

The worsening of the terms of trade (ratio between export and import prices), due to a relatively higher price level for imported energy sources and raw materials, compels us to use more of our national income for importing an equal volume of energy and raw material. As the extraction of domestic raw materials becomes more expensive, even a hardly increased energy and raw material production will demand an increasing part of our labor in absolute and relative terms.

Increasing allocations from public funds that ensure stable prices and tariffs for the public reflect the greater efforts needed to ensure that standard of living we have reached. They rose from M 11.2 billion in 1975 to M 16.8 billion in 1980. Rising by an annual average of M 675 million from 1972 to 1975, and by M 1 billion from 1976 to 1978, they came to circa M 1.3 billion in 1979 and 1980.<sup>4</sup> An important social development requirement lies in further improving the conditions for that the growing public allocations for social security and promoting assimilation processes in satisfying basic needs will release more social impulses for efficiency improvements and economic growth.

Third: Competition on international markets has become much stiffer in recent years and will become stiffer still in the years ahead. That is mainly due to the fact that practically all countries with a net import in petroleum and other energy sources and raw materials, for the sake of their payment balance, have to export more and these greater export efforts coincide with trends of crisis and stagnation in the capitalist world and with the appearance of new exporters from the developing countries. The need faced by the GDR economy to pay for energy and raw material prices by more exports and greater export efficiency thus calls for extraordinary efforts toward enhancing export competitiveness, mainly through better qualities and structures in export and further improvements in sales organization and customer service.

The chance to achieve economic growth with stable, relatively high growth rates in spite of the tougher conditions mainly comes from that, on the one hand, the scientific-technical progress is being accelerated worldwide and the economic efficiency potential of such main trends as microelectronics, robot technology and biotechnology are going to be greatly boosted in the 1980 and that, on the other hand, important prerequisites have been created for tapping more extensively and effectively the efficiency and growth reserves inherent in the socialist economy.

Among these prerequisites and more favorable conditions, among other things, are the great scientific-technical potentials created in decisive fields and the closer linkage between science and technology and investments, the high educational level and qualifications of the working people and their greater willingness for performance, the significant advances in creating an efficient material-technical base in the economy, the higher level in production and labor socialization based on the formation and consolidation of the combines, the results of the deepening of socialist economic integration, and the international socialist cooperation with the USSR and the other CEMA countries. Conditions have matured for using the great intellectual-creative potential, the qualifications, the skills and experiences of the working people more effectively than before for improving efficiency and enhancing achievements.

The changed reproduction conditions also make for changes in the relations between scientific-technical, economic and sociopolitical progress. Scientific-technical progress is still more becoming the actual fulcrum and most important basis for development in all fields of society. As to the objectively higher demands made on science and technology, it must be kept in mind that an acceleration of scientific-technical progress and the improvement of its economic and social effectiveness are needed to maintain our speed of growth. Before science and technology take an effect on enlarging the available national income, as it were, they must make up for the higher expenses in important areas by extra savings and a reduced growth in resources through comprehensive and rational job cutback and substitution effects. Imperative for it are the close linkage of science and technology with the development and comprehensive use of the working people's intellectual-creative potential, the renovation and modernization of the material-technical base, and the improvement of our production and export structure. The emphasis is placed on shortening R&D time frames and the production process, improving the level of scientific-technical achievements and their technological application, a greater economic breadth of application and a greater speed in spreading innovator processes in areas crucial for the GDR's development.

The tougher and the more favorable conditions cannot simply be equated with negative or positive influences respectively on long-term economic growth. Rather, the stiffer competition on international markets or the more complicated conditions for securing raw materials also stimulate a greater use made of the scientific-technical progress, e.g., to obtain great savings and rapidly improve the quality and structure of outputs. This means that the tougher conditions also produce certain needs and impulses which, in combination with the new possibilities of the productive forces and with socialist production relations, further the transition to an intensively expanded reproduction, which helps confine the negative effects on economic growth. In turn, favorable conditions do not automatically have a positive effect on economic growth. What they mainly contain are opportunities which must be used consciously through further perfecting management, planning and stimulation.

The 10th SED Congress resolutions, especially the economic strategy for the 1980's as set down in the Central Committee report, clearly indicate that the changed reproduction conditions have to be understood mainly as new requirements for the 1980's, which place new and higher demands on truly tapping the advantages and

impulses of socialism. They present a challenge to the capability of socialist society of still better and more extensively bringing to realization the potentials of the scientific-technical revolution based on the advantages of socialism.

The following implications for economic growth result from the changed reproduction conditions, mainly with respect to the resources:

1. The profoundly changed relations between the growth of resources and of our output, which also affect all important resources in live and embodied labor, lead to objectively higher demands on the shaping of substitution relations among production factors. Substitution measures, mainly the investments, must be based on higher targets as to volumes (e.g., a greater reduction in working hours per unit of unique expenditure) and as to the complexity of their efficiency effects (e.g., more use of technology aimed, at the same time, at saving live labor, energy and raw materials). Then there also result objective requirements for more of an assimilation in efficiency development for the various production factors. Whereas for developments up to the mid-1970's in the GDR, labor productivity growth rates were circa twice that of the reduction rates for specific raw material and energy consumption and the basic assets quota fell until 1980, in the 1980's the reduction rates for specific raw material and energy consumption in industry as well as the labor productivity growth rate are to come to circa 5 percent, and the basic assets quota is to rise.

2. The new and redistribution of social labor, an important aspect in the type of economic growth that relies on scientific-technical progress and high dynamics in the production structure, also requires a preparatory release of resources. The higher objective criteria for such release and the differentiated relations between the release and the full or partial reuse of resources (partial, if particular resources were diminished in absolute terms) become the basic problems in long-range economic growth. That also changes the ways and means for constantly re-adjusting the proportionality between supply and demand. The emphasis is shifting from expanding supplies to saving and releasing resources and the effect that causes on demands. The releasing of resources is closely linked with the innovator processes. On the one side, the implementation of innovator processes in their early stages normally calls for extra resources that by and large can only come from a redistribution of resources released from other parts of the economy. That is clearly seen, e.g., in the development of microelectronics and robot technology. On the other side, particularly the innovator processes also provide new possibilities for releasing resources. Reducing the time frame between resorting to and releasing resources is among the most important requirements and criteria in launching innovator processes.

3. The changed reproduction conditions greatly affect the relations between simple and expanded reproduction. Their links become closer but also more varied and contradictory. Economic growth here is determined mainly by two opposite processes that are closely entwined and affect each other.

One of these processes is the acceleration of the scientific-technical progress and the stronger integration of science and technology in the reproduction process. The higher the speed of scientific-technical progress and the more extensively its

data are applied in the reproduction process, especially in perfecting the extant material-technical base, the stronger and more varied are the links and reciprocal penetration between simple and expanded reproduction. The qualitative upward development of the production elements, the basic assets as well as the objects of labor, increasingly proceeds within the scope of the cycle of the substitution funds. That gives rise to many possibilities to carry out essential processes in efficiency and performance improvement, i.e., the expanded reproduction of output or economic growth, within the framework of a qualitatively simple reproduction of production elements. The higher criteria that have to be applied to this are disclosed in the guidelines of the 1981-1985 Five-Year Plan directive issued by the 10th party congress. To assess the reproduction effect correctly, we cannot stop with the expanded reproduction of output. The important question is which effects such output produces in carrying on the reproduction process by turning it again into production conditions (higher effectiveness of renewed working tools and subjects of labor), enhancing the satisfaction of public demands or improving export efficiency.

The other process lies in the long-term trend, already referred to, in increasing reproduction expenditures for ensuring the economy's energy and raw material base. There the material reproduction of important substitution fund elements--the raw material and energy base--can no longer be assured fully within the scope of the given size of expenditures from the substitution funds. As far as current expenses are concerned, inflation brings it about that some of the social labor, that in one reproduction period was used for realizing the net product (national income), must be used in the subsequent reproduction period for elements of the substitution funds (production consumption). As far as rising specific investments are concerned, the excess expenditure brings it about that some of the accumulation or of the productive net investments will assume the economic function of substitution investments. That can lead to negative effects on expanded reproduction or economic growth. The greater requirements made on investment activity and basic assets reproduction as such are also indicated by that, despite these effects of larger reproduction expenditures in various economic areas, investment efficiency and the basic assets quota are to be increased in the 1981-1985 Five-Year Plan. In contradistinction to earlier periods, the trends of increasing reproduction expenditures in the current phase of development are comprehensive and long-range, even when one takes account of those factors that will counteract higher expenditures.

It follows from all these differentiated processes that the redistribution of social labor will increasingly apply not only to expanded but also to simple reproduction. That holds true for the innovator processes and structural modifications, which have to proceed more and more within the scope of simple reproduction of the production elements on their economic level. It also applies, however, to the simple reproduction of the raw material and energy base which, e.g., needs more basic assets in absolute terms for producing the same amount of energy and raw materials and allocations in larger export equivalents for importing no more than the same amount of energy sources.

4. In connection with increasing reproduction expenditures for important production elements and the enhanced refining of production, a higher place value attaches, in analyzing and planning economic growth, to considering the disparate

development of production conditions and production results in terms of volumes (the physical volume), qualities (levels of intrinsic value) and value. E.g. in the 1976-1980 period, when the volume of economically important raw materials, energy sources and materials was greatly reduced by unit of industrial output (measured against comparable prices)--a reduction in specific consumption by circa 20 percent--the use in terms of value of the same raw materials, energy sources and materials rose significantly per unity of industrial output (measured against prices that effectively reflected the higher expenditures). Output and production growth are going to shift further toward quality improvements. That holds true for the growth of economic aggregates such as national income, economic end products, and industrial commodity production, as well as for increasing the output of economic units and most commodity groups and commodities.

### The Substance of Economic Growth, Changes in Its Sources and Results

The substance of economic growth is based on important changes relating to the sources as well as the results of growth. The changes in the sources of economic growth are not only found in that economic growth is increasingly determined mainly by qualitative growth factors but also in that the reciprocal relations between qualitative and quantitative processes and their unity keep improving.

Qualitative and quantitative processes normally have in common that they lead to production expansion, the effect of quantitative processes being generally confined to that, whereas the qualitative factors or processes are increasingly aimed at improving the quality of output and the efficiency of production. What is specific in qualitative processes, among other things, is that their effect on the quantity of output, especially on the size of the produced national income and of the available economic end product, is brought about by efficiency improvements. That the distinctions between qualitative and quantitative processes are only of a relative meaning, that in the real process they always exist side by side and condition each other, and that quantitative changes can leap into a new quality, is seen, for one thing, in the qualitative improvement of the material-technical base that is greatly dependent on the breadth (the quantity) in the application of new technologies and working tools--such as ADP installations, digitally controlled machine tools and processing machinery, or robot technology. The effectiveness of scientific and technological top-standard achievements in their economic effectiveness, demand satisfaction and exportability is determined mainly by the speed in their applicability, which itself again combines qualitative with quantitative criteria.

The economic strategy of the 10th party congress regards a greater economic range of application and a higher speed in the applicability of new technology as very important. The directive, among other things, states: "The number of top products must be further increased. Economical use has to be made of them at great breadth and without loss in time."<sup>5</sup> The task was posed to improve product qualities at the whole range of the economy and thereby increase the output of "Q" quality seal top products to circa M 100 billion by 1985.<sup>6</sup> The production of commodities with the "Q" quality seal is to increase between 1981 and 1985 three to four times as fast as industrial commodity production on the whole.

The changed relations between qualitative and quantitative processes pertain not only to factors and sources of economic growth but also to its results. With the further shaping of intensively expanded reproduction an improved qualitative level of the output increasingly becomes the basis and decisive content of economic growth. There is a direct correlation between the degree of reproduction process intensification and the proportion of qualitative improvement in economic growth.

Growth will continue to be dependent on the unity between quantitative and qualitative development of output, the unity between volumes and quality. In this dialectical unity, however, the weight is shifting more and more to quality in output. That is becoming increasingly important in production growth. In the 1980's, compared with the 1970's, a much larger part of economic growth will be due to quality improvements.

Proceeding from the tasks assigned in the 1981-1985 Five-Year Plan directive on enhancing raw material refinement and output qualities, on perfecting the production structure and the possible development of the raw material and energy base, it follows that in the branches of the chemical industry, metallurgy, machine construction and electrical engineering and electronics most of the production growth has to come from improving intrinsic values. The Central Committee report to the 10th SED Congress says about the tasks in the chemical industry and in metallurgy: "This way of qualitative advances must become the guideline for the raw materials economy of the GDR all-around." E.g., the production of refined rolled stock, through a relatively small addition of the total volume of rolled stock of circa 4.3 million tons in 1980 is to increase to circa 7.4 million tons (170 percent) in 1985, whereby it will come to 80 percent of a share in the total rolled stock volume.<sup>7</sup>

Enhanced production refinement is increasingly becoming an indispensable prerequisite and a crucial basic feature of economic growth in the 1980's. This is the most important way to produce a greater economic end product per unit of raw material and energy to satisfy consumption and production demands and our exports. Without decisive advances in the degree of product refinement, a dynamic 5-percent annual economic growth would be unthinkable for the future. This also is a main trend in more strongly applying the intellectual-creative potential of live labor to improving economic efficiency and performance.

What is wanted is a qualification and technology-intensive refinement that will maximally contribute to improving economic efficiency. For fully tapping the efficiency potentials in higher refinement and apply them effectively to economic growth, we must especially cope with the following processes and relations:

--It is not enough to insert between raw materials and final products new or extra processing levels. The efficiency effect we want can be obtained only if with every new processing level an improved intrinsic value is ensured that conforms with international top standards. In other words, it is always a matter of combining refinement with better qualities.

--We must ensure the conditions for that the higher degree of refinement, which is reflected in intrinsic value improvements per unit of raw material, increases much faster than the outlay in live labor, energy and basic assets needed for it. Enhanced refinement must go hand in hand with the use of more rational technologies and a modern, efficient production organization.



--Enhanced refinement cannot be made dependent simply on using more live labor and basic assets. It must be based on a stronger and more comprehensive utilization of skilled labor in R&D, design, technology and production itself.

Paying attention to all these requirements will help tap the growth potentials in refinement more extensively, especially through efficiency improvements in the manufacture and application of more highly refined products. That also is necessary so that the labor invested in processed commodities is recognized more on the international markets as socially necessary labor and the revenue from exports gets better.

A theoretically and practically significant question for determining economic growth is whether the improved qualitative level of output is a component of growth and to what extent qualitative improvements are reflected in production growth rates. One can still find the views, widespread, that qualitative improvements are not part of growth but act as an additional factor of demand satisfaction. So it is stated in the book, "Die Wirtschaft des entwickelten Sozialismus": "Under the conditions of developed socialism, a different and new approach is needed to assessing the tempo of development and the proportions. The new dimensions in production, with a relatively reduced speed of growth and, at the same time, better product qualities, make possible satisfying public demands ever more completely."<sup>8</sup> A direct inclusion of quality improvements or of higher intrinsic values in growth, in indicating the magnitude of the tempo of growth, is a consequence, it seems to me, which follows from conceiving of economic growth, not as a quantitative enlargement of output as such, but as an enlargement of production results meant for demand satisfaction as a unity of volumes and qualities. It follows from the actual purpose of economic growth in socialism, an improved demand satisfaction. Placing a higher value on improved intrinsic values is important to reflect the real growth process under the conditions of an intensively expanded reproduction. From that it also follows that a much reduced growth in natural resources, raw materials and energy sources is not bound to lead to reduced production growth rates but must effect a change of the meaning of growth in terms of the relations between larger quantities and better qualities of output. This gives mainly also rise to higher demands for quality labor and for the development and actual use of the working people's intellectual-creative potential.

With all these processes in quality development of output, it must be observed that only economically feasible quality improvements can be considered components of economic growth. Improved quality parameters for a product leading to no kind of positive economic or social results constitute no real improvement of use value and can therefore not be considered components of economic growth.

In summary one may say that quality improvements have a twofold role to play in economic growth. They are a direct growth component of the national income available or the economic end product that is actually used for the satisfaction of production or consumption demands, which finds expression in these economic magnitudes, e.g., by applying the cost/benefit ratio. At the same time, quality improvements, through the use of better working tools and objects of labor, significantly affect the growth in subsequent reproduction periods.

Crucial reserves for effective economic growth in the 1980's are found in perfecting the unity between qualitative and quantitative production results.

On the one side, the qualitative growth must make itself felt mainly by such working tools, objects of labor and consumer goods representing a high quality level or showing a high degree of innovation, measured against international standards. Best quality products--provided there is a proper demand for them--must become more and more the chief components also of quantitative production development. The 1981-1985 Five-Year Plan directive assigns an especially high growth rate to the production of commodity groups and branches that show highly enhanced refinement degrees and are of great importance to technical progress and the satisfaction of new demands. Through raising industrial commodity production under the industrial ministries by 131 to 135 percent, there is expected to be an above-average rate of growth in the following branches and commodity groups: medicines for human consumption and in veterinary medicine by 148 to 150 percent, chemical installations 165 to 170 percent, granular and grained potash fertilizer 200 to 250 percent, electrical engineering and electronics 156 to 158 percent, metal-cutting machine tools 160 to 165 percent, cold-forming machine tools 158 to 162 percent, packing installations 200 to 210 percent, refrigerators 220 to 250 percent, and gas ranges 130 to 150 percent.

On the other side, for products amounting to a large production and export volume and showing high dynamics due to the long-term development of domestic and export demands, particularly high efforts are needed for quality improvements.

A big role is assigned in the discussions of economists of socialist countries about the problems of economic growth to the relations between the speed of growth and such requirements for the transition to intensively expanded reproduction as an improved balancing of economic development, acceleration of innovation processes, a greater reliance on international competitions, and the structural adjustments to the changed conditions in the 1980's.

The basic issue is how and on what premises economic growth is achieved. Economic growth relying on too high an investment of extra resources and energy, labor and funds, leads to excessive strain and disproportions and infringes the balancing requirements for expanded reproduction. Under such conditions, the expenditures for production growth are too high. Disturbances arise which negatively affect efficiency improvements and, ultimately, the benefit growth should lend to improving the public supply situation and solving the foreign economy problems. If one succeeds in significantly reducing the use of extra resources per unit of production growth and, in addition, in releasing labor and certain raw materials and energy sources in absolute terms, a high growth rate can help better balance expanded reproduction. Then the effectiveness of growth also accrues to the satisfaction of demands and to the solution of our foreign economy problems.

These relations between the speed of economic growth, on the one side, and the dynamics in innovation processes and structural changes, on the other, are extremely intricate. A high tempo of innovation and rapid structural change do not automatically, per se, lead to a high tempo in growth. That is shown by the results of economic development in the capitalist states of Western Europe and North America.

This involves still two other aspects, however, that are of special importance to the transition toward intensification in the socialist countries: one concerns a more resolute realization of the efficiency potentials in economic innovation processes through establishing and applying the new technology. The other one has to do with the actual effect of structural changes in production derived from scientific-technical progress and enhanced refinement in perfecting our export structure and improving the marketability and lucrativeness of the exports.

The effects economic growth has on innovation and structural development cannot be deduced from the magnitude of growth rates. Neither practically nor theoretically can it be proven that a high speed of growth must block scientific-technical progress or that slowing down affects it positively. That is shown in the capitalist world system by the examples in the development of Japan and Great Britain. In Japan, the speed of production growth, extremely high for capitalist countries, goes hand in hand with penetrating processes of innovation and structural changes. Without them, the high speed of economic development in Japan would be unthinkable. In turn, in Great Britain in the 1970's extremely low production growth rates went together with its lagging behind in innovation and structural adjustments.

The positive connection between speed of growth, innovation and structural change is clearly seen in the differentiated development of the combines in the GDR. Combines leading in scientific-technical development, in the speed in which they renew their production profiles, and also in their export development, like Carl Zeiss Jena, the Herbert Warnke Forming Equipment Combine in Erfurt, and the Fritz Heckert tool machine combine in Karl-Marx-Stadt, have shown above-average growth rates in production for years.

What matters is to perfect management, planning and economic stimulation in such a way that scientific-technical progress, an improved production structure, a higher efficiency, and the release of resources become indispensable prerequisites for and the main roads to high speed in growth. To that end it is of special importance that structural changes and production renewal not only much enhance the economic end product but also positively affect, through a highly efficient use of new means of production and a favorable development of export effectiveness, long-range economic growth rates and an improved satisfaction of public demands.

#### FOOTNOTES

1. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 34.
2. Ibid., p 59.
3. Ibid., p 60.
4. Computed on the basis of data from the "Statistisches Jahrbuch der DDR 1981," Staatsverlag der DDR, Berlin, 1981, p 251.
5. "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985," Dietz publishing house, Berlin, 1981, p 18.

6. Ibid., p 19.
7. Comrade Erich Honecker, op. cit., p 64.
8. Authors' Collective, "The Economy of Developed Socialism--Main Criteria and Inevitabilities," Dietz publishing house, Berlin, 1979, p 361.

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RECENT MEASURES FOR TIGHTER ECONOMIC CONTROLS ANALYZED

Review of New Laws

West Berlin DIW-WOCHENBERICHT in German Vol 49 No 21, 27 May 82 pp 267-271

/Article by Doris Cornelsen and Angela Scherzinger, German Institute for Economic Research (DIW), West Berlin: "GDR Economic System: Control Mechanisms Again Tightened." Translations of the article by the GDR State Planning Commission's Harald Rost cited in footnote 1 and of the decree on economic accounting cited in footnote 3 are both published under the heading, "Decree Expands Rewards, Penalties for Economic Performance," in JPRS 80360, 17 Mar 82, No 2246 of this series, pp 9-30. A translation of the article by Kurt Erdmann cited in footnote 3 follows this review.

/Text The speed-up of economic growth, reductions of foreign trade deficits and the further steady improvement in living standards are the GDR's ambitious goals for the first half of the 1980's. The generally more difficult growth conditions are to be countered by a new conception. The "economic strategy for the 1980's" mentions in particular intensification of production, improvement of productivity, improvement in the cost/profit ratio and, last not least, a higher standard for the application of scientific-technological advances.

By now the programmatic guidelines of this economic strategy have resulted in two important Politburo decisions. Like almost all Politburo decisions these have not been published but were mentioned in the GDR's economic press.<sup>1</sup> They concern the improvement of economic accounting and the raising of standards in the management and planning of science and technology. The decisions have had factual consequences in a multitude of laws and decrees enacted since the start of 1982.

Materials Conservation

"Thriftiness as a principle of socialist management" has long been an established slogan. Extensive calculations demonstrate the reserves of additional output to be made available by the more careful use of materials and show that the specific consumption of important raw materials and energy sources is unduly high, and that the volume-performance ratio needs to be improved. Now these appeals have gained a new urgency. While, for example, an annual 3 percent rate was the target for lowering the specific consumption of important raw materials in the 1976-1980 Five-Year Plan, the 1981-1985 Five-Year Plan provides for doubling this rate to 6 percent. Economic growth, therefore, is to be achieved while the use of raw materials needs slightly to decline.

In the sector "planning as relating to goods and services" these targets are served by changes in performance criteria and the further organization of materials balancing. Since the spring of 1980 the basic indices of planning and the criteria have included "net production" and "basic materials costs per M100 goods production" in addition to "industrial goods production." At the end of 1981 and in early 1982<sup>2</sup> the GDR Council of Ministers also adopted decisions on the improvement of balancing. Goods important in national terms are recorded at every stage of production with the respective balances and allocated with the aid of norms and normatives. The decision on important balances is even more emphatically a matter for the Council of Ministers and the State Planning Commission.

All new features are aimed at more securely implanting the planning regulations within the profit and loss accounts of enterprises or--in the language of the GDR--meshing all planning relating to goods and services with monetary planning. This is to reduce the enterprises opportunities for evasion, link enterprise funds more closely with cost and profit accounting and cause enterprises, in their own interest, to take seriously the state plans in the field of materials conservation.

At the center of these regulations is the "Decree on the Further Perfection of Economic Accounting on the Basis of the Plan."<sup>3</sup> "Economic accounting" is a basic classification of "socialist management" and intended by its operation and postulates to render effective the laws of socialism at enterprise level. It transcends enterprise cost accounting and includes many GDR specific regulations (earmarked and stimulating enterprise funds).

The new decree has five major sections:

- Cost planning,
- Scientific-technological progress and investments,
- Profit transfer, fund establishment, borrowing and interest rates,
- Industrial prices,
- Foreign trade.

The most important measures are aimed at improving cost planning. The mandatory effect of the cost plan is to be raised; the index figure costs per M100 goods production, set in the annual plan, becomes the definite cost limit for the enterprise. In contrast to former practice, enterprises will no longer be able to automatically correct this cost limit upward by changing the assortment; this is expressly forbidden by the new regulations. Should the cost limit be exceeded, the enterprises right of disposal of certain enterprise funds is blocked. Moreover, the causes of the excess costs and the possibilities for their removal must be explained in cost reports to the respective superior organ. Detailed regulations are devoted to the improvement of cost analyses, types of cost, cost item and cost unit accounting.

In the planning sector science and technology goals and criteria must be exactly spelled out and observed. All tasks to be accomplished must be documented in detail (duty book). Within the plan the costs must be set against the expected earnings and profit. Financing of research and development must relate to specific tasks. For investments also indices and normatives must be fixed.<sup>4</sup> The condition of investments is a decision in principle by the central authority. The State Bank and the State Audit Office exercise supervision.

A radically new regulation insists that enterprises must maintain the planned profit transfer to the state budget even if the net profit achieved falls below the plan target. The enterprises will thus be compelled to dip into their own funds or even borrow money. To be strengthened at the same time is the link between the funds and the cost development of enterprises. If costs are additionally lowered and thus make for higher profits, there will be more opportunities to assign the latter to the premium and performance funds. The enterprises' financial elbow room is to be further restricted: Transfers to the various funds on special bank accounts must be made in equal monthly amounts, so that the enterprises will no longer have any opportunity to use temporarily free resources for equalizing plan imbalances. Many regulations are designed to secure that circulating assets and stocks of materials and products do not exceed the absolutely necessary volume.

The fixing of industrial prices is intended more greatly to interest the enterprises in raising the degree of refinement of products. This is to be done by permitting surcharges on the industrial price of highly refined products and imposing discounts for insufficiently refined goods.

In the field of foreign trade significant organizational changes were carried out earlier, at the time of combine establishment.<sup>5</sup> The regulations now enacted provide for additional premiums to be granted for eminent export achievements. Moreover, in addition to the foreign trade targets assigned them at an earlier stage, the combines will now be responsible also for the planned foreign exchange earnings arising from exports to the nonsocialist monetary area. From 1982 these foreign exchange earnings are state plan indices. Unfortunately no explanation is offered for the origin and use of the "foreign exchange fund of combines" mentioned in this context. Export results are to be included in the standardized enterprise result. As regards imports, it is decreed that the approval of the banks is required for most important transactions.

#### Science and Technology

The decisive promise of the conservation of energy and materials is held out by the rapid utilization of the results of science and technology. Moreover, the opportunities offered by modern technology are to be used to speed up economic growth and increase export successes. Rationalization, the introduction of microelectronics and robot technology as well as the greatest possible refinement of products have become synonymous with further economic development.

Mentioned at the Third SED Central Committee Plenum in November last was the fundamental Politburo decision on the further improvement of the management and planning of science and technology. The remarks in the Politburo report and the report by the Minister for Science and Technology indicate that the economic leadership is intent on getting more rights of intervention and control in this area also. On the other hand it seems that--despite the important role of research and development within the framework of the economic strategy for the 1980's--capacities are not to be expanded.<sup>6</sup> It appears that here too the improvement of efficiency of existing resources is to receive priority treatment.

As is clear from the respective section of the "Decree on the Perfection of Economic Accounting on the Basis of the Plan," enterprises must exactly quantify the cost-profit ratios in the field of science and technology. Other requirements concern

- The exact derivation of targets from the plan quotas, in other words here too the meshing of state tasks with enterprise projects,
- Cutting the processing and transfer delays,
- Raising the importance of state purchasing orders,
- Performance and efficiency proofs from the enterprises, accompanied by strictly assignment related financing of all projects, and
- Stimulating the best possible performance by assignment related performance bonuses and target premiums.

The greater importance of the planning of science and technology and the increased influence of the economic leadership in this sphere emerge from a supplement to the planning order:<sup>7</sup>

- Plan drafts for science and technology must be drawn up and submitted before the other sections of the economic plan,
- To strengthen the central authorities right of intervention vis-a-vis the combines the latter will receive "additional orientation" for research and development together with the plan targets of the five-year plan, aimed mainly at the "improvement of export efficiency." From 1984 on they will be issued by the superior organs for 3 years ahead.
- The plan drafts of directly subordinated combines must be discussed with the minister personally. As for many years past, priority resource assignment is emphasized.

Furthermore the role of the "state assignments science and technology" is to be given more weight. State assignments will be issued for all research projects considered particularly important by the central economic authorities, for example in connection with microelectronics and robot technology but also for certain economic structural changes. This plan technical tool has existed for some considerable time; it has now been defined by a special decision.<sup>8</sup>

#### Legislative Regulations

In the first 4 months of 1982 many laws and decrees were amended on the basis of the new decisions, especially with regard to the detailed adoption in the special laws of the principles established by the decree on the perfection of economic accounting (Economic Accounting VO). A brief survey must suffice here. It is based on the sequence of publication in the GESETZBLATT DER DDR and indicates the veritable flood tide of revised versions:

- The decree on the duty book for assignments of research and development. Duty books have existed for more than 5 years, but their significance for scientific-technological work has now been increased. Financing may not begin without a confirmed duty book. This expansion also applies to targets and preparation (consultation of users and commerce, information for all involved and for superior organs);



- The financing directive for state industry. The changes are in line with the principles established in the Economic Accounting VO (net profit transfers to the state even if the planned profit is not achieved, consistent earmarking and establishment of all enterprise funds);
- The second decree on the production fund tax. The amendments state (see Economic Accounting VO) that an increased production fund tax is payable at the expense of profits if investment projects are taken into service later than envisaged or stocks are excessively large. Conversely no production fund tax is charged until the planned date if projects become operational ahead of time;
- The decree on loans and the banks supervision of the socialist economy--credit decree. A particular aspect emerges in the extension of bank supervision. The banks are obligated to check enterprise operations; they actively affect the drawing up of plan drafts and the preparation of investments;
- The science and technology finance order. This makes mandatory the exclusively assignment-related use of financial resources;
- The order on the skeleton directive for the ascertainment, planning, supervision and reporting on the efficiency of measures of scientific-technological progress. This regulates the process of efficiency ascertainment and documentation in greater detail;
- The order on the planning, establishment and use of the performance fund. This proceeds in accordance with the provisions of the Economic Accounting VO to the effect that materials conservation (especially energy conservation) is to become the main source of transfers to the performance fund;
- The law on the construct system in the socialist economy. This revised version, though, far extends beyond the changes topical at the present time and is based on long standing discussions in the GDR;<sup>9</sup>
- Order No 3 on the supplementation of the 1981-1985 Order of Planning for the GDR Economy and order No 3 on the skeleton directive for planning in combines and enterprises of industry and construction--skeleton directive. Here also cost planning is more precisely defined, proposals from the combines required for the improvement of normatives and efficiency criteria established for projects of science and technology.

#### Summary

If we inquire about the purpose of these new regulations, the following important points should be mentioned: Tightening of central controls, improvement in the efficacy of controlling goods and monetary disposal for ensuring the implementation of central targets, and also the attempt to reveal and mobilize reserves.

There is some difficulty in judging the extent to which the planned new measures will operate in practical terms. Up to now all efforts by the central authorities to obtain more clarity have failed to have any really convincing success. We must also ask ourselves whether the formal right to consultation (as in the case of

science and technology) or the supervisory rights (by the banks, for example) do not far exceed the practical realities, because the actual observance of these rights presumes large personnel resources--and of highly quality personnel at that--in the central agencies.

There is no doubt, though, that the central state organs are to obtain increasing powers. The more precise definition of cost planning, cost controls and cost reporting is to make enterprise operations clearer to the central authorities and provide an opportunity to compare the performances of enterprises and combines and, therefore, apply more stringent standards and normatives. The increased influence of central control organs--audit, balance sheet inspection, banks--aims in the same direction.

A loss of elbow room for enterprises and combines is clearly indicated. They are generally confronted with greater challenges but, at the same time, will be increasingly subjected to central influences in all important enterprise decisions--for instance with respect to investments and the targets for science and technology. Stricter regulations also apply to the enterprise establishment and use of funds. Though larger transfers to the performance fund are envisaged if materials are conserved, that fund is not necessarily a source of motivation for the labor force because it does not provide cash bonuses. The use of this fund continues to be restricted to rationalization projects and spending on the improvement of working and living conditions. Increased premiums are stipulated for outstanding achievements in exports and also as target premiums for research and development departments. However, according to the regulations now in effect the amount of the premium fund is limited; no revised version has yet been submitted.

In general the flow of legislative regulations seems to indicate that the growth of the combines economic powers is now to be restricted by the use of more stringent control mechanisms. In the short run stricter central controls may well contribute to the improvement of performance, but they will assuredly inject increasing bureaucratization into the system and collide with the goals of flexibility and the willingness to hazard innovations.

#### FOOTNOTE

1. See Harald Rost (deputy chairman, State Planning Commission): "On the Perfection of Economic Accounting," DIE WIRTSCHAFT, No 2/1982, pp 8f, and Fritz Haberland (Central Institute for Socialist Management, SED Central Committee): "Demands on the Management and Planning of Science and Technology," DIE WIRTSCHAFT, No 3/1982, pp 5f.
2. See Harald Rost, "On the Perfection of Material Balancing," DIE WIRTSCHAFT, No 4/1982, p 17.
3. GB1 DER DDR, Part I/1982, pp 85ff. See also Kurt Erdmann; "New Basic Regulations for Enterprise Management," DEUTSCHLAND ARCHIV, No 4/1982, pp 401 ff.
4. Decree on the Preparation of Investments, GB1 DER DDR, Part I/1978, pp 251 ff.

5. See Hannsjoerg Buck: "Improvement in the GDR's Foreign Trade Efficiency by Enterprise Cooperation Between East and West and the Remodeling of the Foreign Trade Organization? On the Crisis of the GDR's Foreign Trade, its Causes and the Ways of Coping with Them," published by the All-German Institute--Federal Institute for All-German Tasks, Bonn, July 1979; also Maria Haendcke-Hoppe: "The Remodeling of the GDR Foreign Trade Apparatus," DEUTSCHLAND ARCHIV No 4/1971, pp 378 ff.
6. In the years 1950-1980 the percentage of national income spent on science and technology rose from 0.5 percent to 4.3 percent and, according to Harry Nick, is not to exceed the 5 percent limit "in the foreseeable future" (see WIRTSCHAFTS-WISSENSCHAFT, No 10/1980, p 1198).
7. Order No 2 on the supplementation of the Order on the Planning of the GDR Economy 1981-1985, GB1 DER DDR, Part I/1982, pp 109ff.
8. Decision on the "Order for the Work with the State Assignments Science and Technology"--Excerpt--, GB1 DER DDR, Part I/1982, pp 181ff.
9. As regards this discussion, see Klemens Pleyer: "The Economic Contract in the GDR. Development, Current Problems, Reform," ARCHIV FUER DIE CIVILISTISCHE PRAXIS, No 6/1981, pp 459ff.

#### 'Economic Accounting' Decree Analyzed

Cologne DEUTSCHLAND ARCHIV in German Vol 15 No 4, Apr 82 (signed to press 19 Mar 82) pp 401-405

/Text/ Analyses and Reports' feature article by Kurt Erdmann, consultant, Research Office for All-German Economic and Social Questions, West Berlin: "New Basic Regulations for Enterprise Management"

/Text/ The basic regulation "Decree on the Further Perfection of Economic Accounting on the Basis of the Plan,"<sup>1</sup> published on 5 February 1982, and the subsequent regulations issued are intended by the GDR to close an important gap in its reform conception of the 1970's and 1980's.

Soon after Honecker took over the party leadership from Ulbricht in early 1971, renewed efforts took off at reforming the economic system. However, the SED renounced any detailed programs of reform with "coherent regulatory systems." The directive stated that a "new economic mechanism requires extensive testing for several years," and that this includes "certain corrections" and the "constant consideration of new findings."<sup>2</sup> In view of the increasing economic difficulties experienced, this principle was later substantially amended. Under Honecker the term "economic reform" was rejected.<sup>3</sup> The talk now concerns merely the "perfection of management, planning and economic stimulation." Lately "balancing" has joined these synonyms for reforms. The term "perfection" obviates any compelling need to succeed, and so does the renunciation of the publication of detailed and timed programs of reform.

The changes in planning were followed in the mid-1970's by the thorough remodeling of the organizational structure of the economic units. The VVB's /associations of

state enterprises<sup>7</sup> were dissolved; almost all of the thousands of VEB's were merged into combines. According to SOZIALISTISCHE FINANZWIRTSCHAFT No 8/1981 there were 133 centrally managed industrial combines and 28 centrally managed construction combines at the end of 1981. Another stage, at the beginning of the 1980's, brought the remodeling or establishment of 93 comparatively much smaller combines (excluding service combines) of district managed industry (some 1,100 combine enterprises with about 180,000 employees).

The economic leadership expected "new enterprise management standards" (Trauer) as the result of this structural change as well as an increase in the mobilization of performance.<sup>5</sup>

However, the system of economic accounting and, therefore, the entire set of managerial tools of control and stimulation is subject to different conditions in the new type of combine than was the case within the structure of the former VVB's. A crucial point was the change in the status of the enterprises. Lacking now is the coordinated and comprehensive amendment and adjustment of management within the combine--something quite vital for any improvement in productivity. Despite various minor corrections, this<sup>6</sup> gap in the reforms has up to now proved a definite weakness in the economic system. An appropriate basic regulation was thus overdue.

The title of the new decree defines its meaning, function and politico-economic status. "Further perfection" signifies efforts at reform. "Economic accounting" stands for the system of all components, means, methods and procedures of socialist management for generating the maximum net profit in the combine. "On the basis of the plan" stands for strict central state direction. Consequently any possible recourse to the reform elements of the 1960's does not necessarily carry the same connotation.

#### Uniform Legal Provision

The starting gun sounded relatively late: The basic regulations were not decided by the Politburo until 3 November 1981,<sup>7</sup> and no details were made public at the Third SED Central Committee Plenum in the second half of November.

Almost simultaneous with the decree on economic accounting DIE WIRTSCHAFT published a commentary by Harald Rost, one of the State Planning Commission's deputy chairmen. This stresses that the decree is a "uniform, complete and comprehensive legal regulation...summarizing the requirements, tasks and measures for the perfection of economic accounting."<sup>8</sup> "The various earlier detailed provisions will be revised or complemented" on its basis. Rost cites several examples, among others a financing directive, the loan decree and the establishment of the uniform enterprise result. The new provisions or supplements with respect to some of these headings have come to hand since.

The preamble to the decree on economic accounting of 28 January 1982 lists topical economic needs such as reductions in costs, improved foreign trade operations or science and technology.<sup>9</sup> The scope (article 1) includes combines and enterprises operating in accordance with economic accounting, central and local state organs<sup>10</sup> and banks.

## Costs

The consequent regulations so far published either correct or generally revise some sections. They are based largely on the guidelines of the decree. I propose to list these without detailed explanations or any claims to completeness, simply in their factual associations.

One of the vital points is main part II. It includes 11 of the total of 37 articles (articles 2-11). It deals primarily with cost accounting, cost reductions, cost discipline and cost awareness as well as more stringent supervision. Selected financial resources will be automatically blocked if costs are exceeded, a graduated system of "formal cost reports" is made mandatory. The commentary and the decree itself reveal something about the defects of cost accounting and the opportunities existing for manipulating costs in actual management practice. Article 12, for example, explicitly requires "guarantees" that such matters of course in major enterprises as accounting by way of cost categories, cost centers and cost units "are organized and used as effective management and control tools in the struggle to lower expenditure."

## Technological Progress

Issue of technological progress are another important section of part III (articles 13-18). The greatest emphasis here is on the rigid observance of the duty book decree, shortly before published in a revised version,<sup>11</sup> strict regulations for investment financing and control as well as certain changes in the use of the production fund tax. The improvement of technological progress has an important place in consequent regulations with respect to "Order No 2 on the Supplementation of the Order of Planning of the GDR Economy 1981-1985"<sup>12</sup> and complementing provisions to the production fund tax (PFA).<sup>13</sup> From the 1983 economic plan on, the "plan draft science and technology" of centrally managed combines must be discussed "under the personal guidance of the minister."<sup>14</sup>

## Enterprise Financial Management

Changes in financial management as per part IV (articles 20-24) are explained in detail in consequent regulations. The lack of coordination between materials and financial planning is known to have been only one of the main topics of earlier objections. Profit earning and profit distribution are made more difficult. Since 1976 the economic leadership had largely renounced any insistence on the repayment of debts incurred by the failure to pay any or all net profit taxes to the state budget in the case of enterprise losses, provided such taxes were paid as per plan in subsequent years. That concession has been withdrawn: "Combines and enterprises must meet their financial obligations to the state budget in every case, even if the planned net income has not been earned."

A new "Order on the Financing Directive for the State Economy"<sup>15</sup> no longer distinguishes between centrally and district managed economy. It regulates financial matters in detail, among others--and especially so--fund management in combines and the tighter (including financial) grip on foreign trade enterprises.

A new loan decree<sup>16</sup> including stricter "bank control" complements the financial section and intensifies "controls by the mark." Higher "punitive interest rates" are to contribute to greater business efficiency.

Various critical expressions in the GESETZBLATT DER DDR, such as "enterprises...temporarily unable to pay," "losses," "production of goods threatened with sales difficulties," or "restoration of plan appropriateness" lend themselves to the assumption that these are not exceptional phenomena. Chapter V, "Tasks in the Field of Industrial Prices" (articles 25-29), underlines a system-typical deficiency--the inadequacies of the existing pricing system--without, though, signaling any really significant improvements. At any rate Rost does confirm the decisive factor in his commentary: "The efficacy of economic accounting" and, therefore, the entire new system, "will be largely determined by industrial prices."

### Foreign Trade

The "greater responsibility of combines and enterprises for foreign trade operations" stressed in part VI (articles 30-34) including the corresponding change in the uniform enterprise result does indeed burden the general director with more duties but, at this stage, fails to indicate any increase in the rights needed to ensure the "planned foreign exchange earnings." A brief concluding chapter VII, "Increase in the Responsibility of the Chief Bookkeeper" (article 35) strengthens that personage's dual function. At the same time it confirms the basic line: The establishment of an extensive mechanism reinforced by administrative controls and sanctions running like a continuous thread through all the new regulations. As on several occasions in the past, the SED is careful to harness the general directors of combines to a double if not triple central "control leash."

### Evaluation

This concept to hand since early 1982 regarding the "further perfection of economic accounting" does indeed close a gap in the reforms. Though it indicates variants of the reform efforts of the 1960's, it does not really reveal any genuine innovations.

The preliminary sum total of the new decree, including the consequent regulations published up to early March 1982, seems to be this: A stricter economic regime for combines and enterprises, aimed at resolute reorganization. Much here is reminiscent of crisis management in Western enterprises. Admittedly, even stronger is the impression of a system of incentives, controls and sanctions governed more by bureaucratic than economic considerations. This, coupled with existing pricing problems, is bound to arouse justified skepticism in the chances of success and the extent of the mobilization of performance aimed at for the combines. Already at the end of the 1970's Honecker documented his general "reform principles" by tightening state investment controls. It is too early to hazard a fundamental appraisal of the value of the reforms initiated by the new regulations on economic accounting. Still, we may certainly claim right now that the primacy of ideology is bound to obstruct the abolition of many system-related defects in favor of economic reason.

# FOOTNOTES

11. See GB1 I 1982, No 3, pp 83-92.
12. G. Friedrich and others (editor), "Leitung der Sozialistischen Wirtschaft" [Management of the Socialist Economy], second revised edition, East Berlin 1979, p 95.
13. "As economic reform is not a once-only measure but a steady necessity for improving management, planning and economic stimulation, the term economic reform is less often used these days." Heading "economic reform in the USSR" in "Oekonomisches Lexikon" [Dictionary of Economics], Vol Q-Z, East Berlin 1980, p 666. The fourth revised edition of the "Woerterbuch der Oekonomie-Sozialismus" [Dictionary of Economics-Socialism], East Berlin 1979, makes no mention at all of this term, although it was extensively defined in the third edition. See as above, third edition, East Berlin 1973, pp 1013-1017 (heading: Economic Reform in the USSR).
14. See "Goods in Demand for Our Daily Lives," TRIBUNE, 21 January 1982.
15. On the remodeling of combines see K. Erdmann, M. Melzer: "The New Combine Decree," parts 1 and 2, DEUTSCHLAND ARCHIV, No 9/1980, pp 929-942 and No 10/1980, pp 1046-1062.
16. See K. Erdmann: "Efficiency Problems in GDR Industry Without Appropriate Reform Proposals," in F. Haffner, K. Erdmann, M. Haendcke-Hoppe, E. Lieser-Tribnigg: "Theory and Practice of GDR Reforming Efforts," sixth symposium of the Research Agency, reports on 21 November 1980, pp 64f.
17. See Harald Rost: "On the Perfection of Economic Accounting," DIE WIRTSCHAFT, No 2/1982, p 8.
18. Ibid.
19. See GB1 I 1982, No 3, p 85.
20. As a rule these operate in accordance with the budget principle, not that of economic accounting.
21. "Decree on the Duty Book for Tasks of Research and Development--Duty Book Decree --," GB1 I 1982, pp 105.
22. GB1 I 1982, No 5, pp 109-112.
23. "Second Decree on the Production Fund Tax," GB1 I 1982, No 6, p 126, and "Fourth Implementing Order to the Decree on the Production Fund Tax," ibid.
24. Order No 2 (note 12), as before, p 110.
25. GB1 I 1982, No 5, pp 113-124.
26. "Decree on Loans and Bank Control of the Socialist Economy--Loan Decree," GB1 I 1982, No 6, pp 126-113, and two implementing regulations applying in particular to agricultural and crafts (ibid, pp 113-134).

GERMAN DEMOCRATIC REPUBLIC

1981 BUDGET ACCOUNTING PRESENTED TO PEOPLE'S CHAMBER

Finance Minister Delivers Report

East Berlin NEUES DEUTSCHLAND in German 3-4 Jul 82 pp 3-4

[Address by Ernst Hoefner, minister of finance, to Fifth Session of People's Chamber, 2 July 1982: "The Great Efforts Have Borne Good Fruits"]

[Text] At the beginning of his statements, Minister Hoefner commented on the Fourth Central Commission session, at which Erich Honecker, secretary general of the SED Central Committee, presented the tasks in implementing the economic strategy for the 1980's issued by the 10th SED Congress.

This fundamental requirement, the minister of finance went on to say, starts from the proposition that the policy of the main task was the proper course for steadily reinforcing the stability of the GDR as a cornerstone of socialism and peace in Europe. It keeps proving a strong engine for the working people's desire for accomplishment and creative conduct. Our country's economic growth has been advanced dynamically. With it, proven as indispensable for this steady development has been our ever closer cooperation with the Soviet Union and the other socialist states as well as the deepening of socialist economic integration.

The great efforts of the working people in our country have borne good fruits in 1981. The produced national income in 1981 thus came to M 196 billion. That was M 8.9 billion more than in 1980, by which the thus far highest absolute increase was attained. Some 92 percent of the increased national income in 1981 was due to the increase in labor productivity, and this increase in labor productivity was accomplished by more than 95 percent through scientific-technical progress. Specific use of important energy sources, raw materials and material dropped to 5 percent below last year's figures.

Higher Demands Made on the Cost/Benefit Ratio

The budget accounting for 1981, as presented by the GDR Council of Ministers, also reflected the advances made in the use of the qualitative factors of economic growth. In implementation of the law on the state budget plan for 1981, as issued by the GDR People's Chamber, a revenue of M 167.5 billion was produced, which fulfilled the plan by 101.8 percent. In that framework it was possible to spend M 167.2 billion. As an expression of the improvement of the cost/benefit ratio in 1981,



budget revenues exceeded expenditures by more than M 300 million. In conformity with the resolutions from the Fourth SED Central Committee session, still much higher demands have to be made, today and in the future, on the cost/benefit ratio in all economic areas.

A balanced and stable state budget has been among the advantages of our socialist planned economy as long as the GDR has been in existence, the minister emphasized.

#### An Essential Share Goes to the Combines

More than 75 percent of the state budget revenue last year came from the net income produced as the result of creative labor in the combines and enterprises of industry, construction, agriculture and the foods industry, transportation, communication and trade. There, state budget revenue exceeded the plan. The crucial share of it came from the state-owned industrial combines, most of which succeeded in reducing production consumption and costs below the plan and producing extra revenue.

Experiences in the implementation of the 1981 state budget plan teach us that efficiency largely depends on how well we succeed in combining science and production still more effectively and developing the production profile accordingly. As one can tell from the material at hand, in 1981, by roughly M 8 billion, again considerable funds were used to fund the tasks in the science and technology plan. Decisive is to translate this effort in creative capacity, with high benefits for the economy, into export boosts and public supplies.

Large funds were also used in 1981 for financing investments. Altogether it was a total of M 57 billion, of which M 6.6 billion came from the state budget, by which we were able further to improve the effectiveness of the economic reproduction process. The proportion of rationalization investments to overall investments was further increased and the proportion of construction was further reduced. All economic areas face the task to ask the question before investments are placed how what is available can still more effectively be used. That approach is borne by the economic consideration that the least expensive source for production growth lies in the efforts of making available basic assets more effective economically, through technical improvements and higher shift-capacity utilization.

The experience exchange and performance comparison, as conducted at the Leipzig seminar for the combines in industry, construction, transportation and communication, led to concrete commitments and measures to improve the performance contribution further by way of higher labor productivity and reduced costs. That is also served by the further improvements in economic cost accounting. That points the way to the implementation of the ambitious goals in the 1982 plan, the speaker said.

#### Citizens Received M 58.3 Billion From Public Funds

Economic and social policy continued to work in solid unity throughout 1981. Good work done on behalf of society is worthwhile for all individuals. With pride we may state: The strength inherent in socialism has made it possible to meet the measures set down in the 1981 plan for ensuring and gradually improving the working people's working and living conditions and all of the citizens' legal demands on performance.

Our workers and farmers state in 1981 allocated 58.3 billion from public funds for the population. That, as it was asserted at the Fourth SED Central Committee session, was the second wage envelope containing free benefits for the citizens while not coming free of charge for society. In terms of a family of four, that comes to an average of M 883 per month, from which the citizens benefit over and above their working income. Added must be another M 3.6 billion which, in conformity with the performance of our combines and enterprises, comes out of their cultural and social-welfare funds for the working people's cultural and social welfare.

#### Highest Results in Housing Construction

Increased state budgetary allocations to 110.6 percent over 1980 disclose how generally accepted social security is in our republic because the people's well-being is the supreme precept in the policy of the workers and farmers power.

The housing construction program, the centerpiece of our social policy, led to the highest results thus far. Another 550,000 citizens found their housing conditions improved through the new construction and modernization of apartments. Including the maintenance and operation of the housing we have and the maintaining of low rentals, the state in 1981 allocated for it M 8.2 billion from public funds. If one then still adds the credits granted and the funds of the workers housing co-operatives, the total of means allocated comes to M 18 billion.

#### The Growing Generation Gets All Support

Of great political and social weight also are the growing benefits for the population in ensuring stable consumer prices for goods of daily need and for tariffs in transportation and services. M 20.3 billion was allocated for that from public funds in 1981, a figure of circa M 1,185 per capita. That is an increase of M 195 over 1980.

People measure the solicitude extended by our socialist state, not last, by what is done for the children. Special attention is always paid to the education and training of the growing generation on behalf of the all-round strengthening of the GDR. That includes the care and custody of our infants in kindergartens but also tasteful meals in schools and for children, smooth transportation for pupils and much else that serves the benefit of children and adolescents. For the socialist educational system, our state spent M 9.9 billion last year. For feeding pupils and children, as much as M 854 million was spent.

It is among the basic values of real socialism that every young person learns a trade and can become a class-conscious and highly qualified specialist. For that, our state also allocated copious funds in 1981.

#### Care for the Personal Well-Being and Happiness of the Citizens

Looked at in terms of the year's average, the state budget allocated M 861 per apprentice attending a vocational school. If the young person lived in an apprentice dormitory, he got another M 2,662 for his lodging, food and care. If we add what the combines and enterprises pay for practical vocational training, circa M 6,000 was on the average spent last year for the training of an apprentice in the GDR.

Health care and social welfare directly express our socialist society's concern for people's well-being and personal happiness. The M 10 billion spent on that in 1981 mainly served to ensure and perfect the medical and social care for the citizens. Housing and living conditions for the veterans of labor also were further improved in 1981. For each resident in a state old-age or foster home our state spends far more than four times as much as the citizen spends out of his own pocket.

With M 29.6 billion, social insurance achieved a great deal in 1981, mainly for pensions and sick-leave money, and in pregnancy and maternity-leave benefits.

In order fully to ensure the working people's rights and demands, in 1981, in conformity with the sociopolitical goals of socialist society, M 13.9 billion was allocated from public funds of the state as social insurance subsidies. It characterizes the solicitude of our society for the well-being of its citizens that we can now say that more than three-fourths of all social insurance payments are financed from state funds and by the combines and enterprises. Some 23 per-cent of the benefits is covered by dues from the working people.

#### Means for Sports and Recreation

In 1981, M 2.4 billion were allocated from budgetary funds for the further development of a rich and diversified intellectual-cultural life, for recreation and for a broad spread of physical culture and sports.

In view of this overall positive balance-sheet, as also reflected in the budget accounting, the Council of Minister urges to improve the cost/benefit ratio in all fields noticeably as well as the quality and efficiency of labor.

The GDR government, in its alliance with the Warsaw Pact states, acknowledges that world peace has not since World War II been threatened as severely as at present. The planned funds of M 10.1 billion for national defense in 1981 were allocated from the state budget and used for measures for the protection of socialism and the safeguarding of peace.

Our republic will always act in accordance with the principle that the struggle for peace is inseparable from the protection of our socialist fatherland.

After having been conscientiously checked for its accuracy in annual accounting, the 1981 budget accounting is now available in the state-owned combines and enterprises, all state and economic management organs, and in the monetary and credit institutions.

With enthusiasm the deputies accepted the concluding request from Minister Hoefner to adopt the 1981 budget accounting and credit the government for it.

#### Budget Accounting Report

East Berlin NEUES DEUTSCHLAND in German 3-4 Jul 82 p 3

[Official text of "Budget Accounting for the Year 1981--Important Revenues and Expenditures of the State Budget"]

[Text] I. Revenues

in M million

Total Revenues	167,465.8
of which:	
Revenues from State-Owned Combines and Enterprises	
from production and trade funds	19,769.4
from net profits	42,082.4
from product-related output	37,702.2
from banks	6,752.3
from agriculture	1,213.3
from agricultural establishments, mainly state veterinary service	450.9
Real estate dues	244.5
from water use and other income of the water managements	387.1
Income from crafts production cooperatives and other socialist cooperatives	3,344.3
Private craftsmen and tradesmen	3,172.5
Wage tax for workers and employees	7,217.2
Income from research of Academy of Sciences and universities	499.1
Rental income of the communal housing administrations	243.1
Income from state institutions in education, especially for maintenance, lodging and participants' dues	695.6
of which:	
Public education	373.4
University and technical school education	278.7
Vocational training	7.5
Adult education	36.0
Income from state institutions in public health	6,699.4
of which:	
Social insurance reimbursement for public health services	5,327.0
Income of pharmacies and orthopedic workshops	864.8
Other income such as from laundries, parents' contributions to day nurseries and cost contributions to old-age and foster homes	507.6
Social insurance income	15,669.7
of which:	
from the portions contributed by enterprises, state organs and institutions and cooperatives	8,918.0
from the working people's dues	6,751.7
Income from state institutions in culture and recreation, sports and youth facilities	816.2
of which:	
Culture	477.1
Recreation and sports arenas	190.5
Youth facilities	148.6
Income from broadcasting	122.9
Income from television	404.3
Income from communal measures and services	131.2
Dues and other administrative income of the state apparatus and economic management organs	295.7
Community tax	526.2

II. Expenditures	in M million
Total Expenditures	167,159.4
of which:	
Budgetary funds for science and technology and research institutions	2,602.2
of which:	
Means for science and technology in the enterprises and combines of the state-owned economy	1,197.7
Means for science and technology in agriculture and forestry	347.7
Means for R&D in state institutions and facilities	1,056.8
of which, research expenses	
of the Academy of Sciences	524.8
of universities and technical schools	423.4
Budgetary funds for social science research	168.1
Budgetary funds for financing investments	6,623.6
Maintenance and repair expenditures for traffic routes (roads, waterways, railroad lines, maritime and inland ports and airports)	3,139.5
Production-related price support for raw and basic materials	6,868.4
Price equalization funds for temporarily balancing the effects of planned industrial price changes	657.9
Expenditure on amelioration, investment subsidies, production-specific price increases and other production-enhancing measures in agriculture	2,229.7
Product-specific price support for means of production in agricultural enterprises	6,366.4
State commissions to agriculture and forestry for veterinary projects, herbicide protection, special schools and exhibitions	675.1
Expenditures for recultivation measures	19.2
Tasks in water management	621.9
Expenditure on housing construction	8,406.4
of which:	
Expenditure on new housing construction including new construction of public institutions	2,348.1
Modernization of apartments	310.0
Building repairs	1,356.3
Housing management	2,028.0
Remittance of credits granted to young married couples and remittance of interests for credits	230.8
Interest and repayment of investment loans for housing construction	2,133.2
Subsidies for ensuring stable prices for staple goods and tariffs	20,296.0
of which:	
Foods	11,155.7
Industrial goods on public demand	5,416.6
Fares in passenger and commuter traffic	2,890.9
Drinking water and sewage treatment dues	533.4
Repairs and services	299.4

Expenditures for small price adjustments and seasonal measures	170.0
Expenditures for public education system	10,604.7
of which:	
for public education	7,463.6
of which:	
for general education schools	3,720.5
for teaching and study aids and toys	177.0
for pupils' promotion	139.8
for public education institutions caring for and educating preschool children	1,099.1
Expenditures for children's and youth homes and special homes for children	321.4
Expenditures for feeding pupils and children	854.0
Expenditures for pioneer houses and pioneer stations	101.9
Expenses in fashioning the pupils' vacations	62.5
Expenses for people's colleges	35.5
Expenditures for universities, colleges and technical schools	2,202.7
of which:	
Expenses for universities and colleges	958.6
for engineering and technical schools	334.6
for scholarships	530.0
for boarding schools	136.4
for feeding students in dining rooms	134.9
Expenditures for vocational training	837.7
of which:	
Subsidies for enterprise vocational schools and their apprentice dormitories	544.2
Expenditures for communal vocational schools and apprentice dormitories	201.1
Expenditures for practical vocational training in agriculture	41.2
Adult education	100.7
Health and social services	10,019.7
of which:	
Expenditures on hospitals	3,648.2
Expenditures for polyclinics, out-patient clinics and physicians in practice	1,958.3
Expenditures for health care facilities in infant care	903.2
Expenditures for first-aid and ambulance service	146.9
Expenditures for hygiene inspection and inoculations	125.2
State child-money and obstetrics	1,301.6
Expenditures for old-age and foster homes	595.0
Expenditures for household maintenance and feeding of senior citizens	168.9
Extra subsidies for large families	62.7
National insurance	29,612.2
of which:	
Pensions	15,738.0
Free medical care	5,327.0
Medicines, remedies and other health care expenditures	3,194.8
Sick-leave, pregnancy and maternity monies	742.4
Post-natal paid leave subsidies (baby year)	297.8

Expenditures for youth facilities including those of youth tourism	282.5
of which:	
Expenditures for youth tourism, especially for journeys and youth hostels	229.8
Expenditures for central pioneer camps and youth homes	44.8
Culture	1,717.8
of which:	
for theaters, places of performance, movie houses and orchestras	619.6
for houses of culture and clubs and popular art	320.9
for museums and visual arts institutes	206.8
for state libraries	143.3
for music schools	40.6
for monument preservation	51.4
Sports	376.6
of which:	
Expenditures for maintaining sports installations and public swimming pools	239.2
Recreation and holiday services	403.7
of which:	
State contributions subsidizing the FDGB's holiday services	222.5
Allocations for local recreational facilities like tent sites, free bathing	139.2
Subsidies for tourism abroad	255.0
Communal measures and services including street lighting, refuse collection, and the care for gardens and meadows	814.0
Radio	210.6
Television	500.0
State administration and economic bodies	3,768.8
Civil defense and fire protection	123.1
National defense	10,144.9
Public security, administration of justice and securing the state border	3,900.4

5885

CSO: 2300/343

WEST GERMAN INSTITUTE ANALYZES GDR AGRICULTURAL PROBLEMS

West Berlin DIW-WOCHENBERICHT in German Vol 49 No 26, 1 Jul 82 pp 345-352

/Article by Horst Lambrecht, German Institute for Economic Research (DIW), West Berlin: "GDR Agriculture: Productivity Lag in Livestock Farming." A translation of the author's article cited in footnote 1 is published under the heading, "SED Plenum Focuses on Improving Agricultural Production," in JPRS 80163, 23 Feb 82, No 2234 of this series, pp 2-29. Translations of materials from the 11th Congress of the Democratic Peasant Party (DBD)--cited in footnotes 16, 20, 22 and 23--and from the 12th GDR Farmers Congress--cited in footnote 17--both held in May 1982, will appear in separate JPRS issues of this series/

/Text/ Though, by international criteria, GDR agriculture produces at a high level and guarantees the public supply of the most important foodstuffs at a standard quite comparable to Western countries, the GDR has tended of late to cast a more critical eye at the results achieved: Farming output is too expensive, and the large-scale specialized enterprises have failed to meet the expectations of lower cost production at least up to now. By contrast to former times when farm policy was lightheartedly conducted by the slogan "the bigger and more specialized, the better," some uncertainty seems to prevail now regarding future approaches. No longer emphasized is the process of industrializing agriculture, pursued for more than 10 years. At the same time a return to the farm constitution of the 1960's is highly unlikely, if for no other reason than the credibility of the political leadership that trumpeted the claim to superiority of its farming model for decades past. Neither the latest SED plenums, the 11th Congress of the Democratic Farmers Party (May 1982) nor the 12th Farmers Congress (mid-May 1982) indicated any way out of the dilemma. By contrast to earlier days there is no longer any clear SED directive for farm policy.

Industrial Livestock Farming on the Rise

SED farm policy takes at its model the socialized and industrialized large-scale enterprise: "Livestock from the assembly line," "agricultural factories,"--these are the goal. This resulted, among others, in the organizational and production technical separation of crop and livestock farming. Industrialization in crop farming has gone very far already,<sup>1</sup> in livestock farming it is still in its infancy:



No more than 20 percent of livestock is kept in so-called industrialized facilities. In the GDR these are production shops of the following dimensions:

Dairy cattle	From 800 head
Calves and heifers/bullocks	From 1,000 head
Meat cattle	From 2,000 head
Pig rearing	From 600 head
Meat pigs	From 3,000 head. <sup>2</sup>

When, on the other hand, we consider the sheer numbers of enterprises, the process of concentration has advanced a good deal in livestock farming. In 1981 total livestock farming was combined in fewer than 3,500 enterprises; they kept an average stock of some 1,500 live weight units of cattle (GVE).<sup>3</sup>

Disregarding private holdings,<sup>4</sup> GDR livestock farming was carried on by four types of operation in 1981:

- 2,870 specialized agricultural producer cooperatives of livestock farming, the LPG (T);
- 320 state farms, the VEG (T);
- 270 intercooperative and interenterprise facilities, the ZGE/ZBE<sup>5</sup>;
- 30 "industrial fattening combines" (KIM).

LPG's (T) and VEG's (T) are cooperative and state enterprises still having a relatively general--at least multifaceted--production program within the framework of livestock farming. They are, so to speak, the "rump enterprises" of the LPG's and VEG's of the 1950's and 1960's, after the removal of crop farming. By contrast the ZGE/ZBE's and, especially, the KIM's represent giant enterprises handling only one type, or even only one aspect of a type, of production. Frequently they are of the nature of model enterprises. In the words of the former minister of agriculture, they indicate the future image of industrialized agriculture.

While the ZGE/ZBE's began life more or less as offshoots of the rump LPG's and VEG's, the KIM's represent state enterprises exclusively.<sup>6</sup> Most of these enterprises are concerned with the production of poultry and eggs, a few with that of pork and beef.

Examples of mammoth enterprises are:

- Three pig rearing and fattening combines; the largest of them (in Hassleben) counts 150,000 head; the other two have 80,000 head (in Eberswalde) and 50,000 head (in Neustadt/Orla) respectively;
- A bull fattening and rearing facility (in Ferdinandshof) that started operations in 1969 with 13,000 head and has now reached a capacity of 30,000 head;
- Two poultry combines near Berlin, one of which (in Koenigs Wusterhausen) produces 140 million eggs and 6,500 tons poultry meat per annum, the other (in Bernau) keeps almost 500,000 layers and produces some 120 million eggs and, in addition, rears 230,000 chickens;

-- A dairy cattle facility with 5,000 cows (near Potsdam, another one with 3,800 cows (in Dedelow) and some other facilities with 2,000 head.

While there are thus ultra modern facilities capable of handling a large volume of livestock,<sup>7</sup> most livestock farming LPG's still need to use the barns of the 1950's and 1960's, some even those of former private farmers.<sup>8</sup> LPG livestock farming generally comprises several types of livestock: Barns tend to be strewn around several villages,<sup>9</sup> and manual labor still looms large with regard to feeding and cleaning.<sup>10</sup> Men and women farmers working there, especially the latter, continue to complain about the prevailing system of manual operations--pitchfork, wheelbarrow, back basket--the so-called FKK principle.

#### Livestock Holdings and the Output of Animal Products

GDR farming is largely devoted to refinement. Crops are not primarily intended for human nutrition; they are preproducts for livestock farming. Almost two thirds of all crops--including grain--now serve as feed.

Calculated in GVE's, livestock holdings have risen from 5.1 million in the average of 1956-1960 to almost 5.9 million in 1976-1980. Though to a different extent, the holdings of pigs, poultry and beef have increased, those of sheep, goats and horses decreased.

Sheep stocks have declined only slightly; stocks of horses and goats have shrunk to the bare minimum. This is in part due to the mechanization of farming but certainly also a reflection of increasing prosperity: The goat, "the cow of the little man," is obviously no longer needed. In the case of horses, stocks have in fact slightly risen since 1978; that also appears to be the effect of greater prosperity (riding horses). Just lately the use of horses on the farm has been pushed in the GDR, the aim being energy conservation. Since the early 1970's sheep stocks in the GDR have tended to rise again; a substantial expansion is planned through 1985.

In general livestock holdings as related to agricultural area are very high in the GDR. In the average of 1976-1980 they amounted to 936 GV per 1,000 hectares of agricultural area, an 18 percent increase compared with the second half of the 1950's. In the last 5 years they achieved 86 percent of the level of West German agriculture (see table 1). Related to the average population, livestock holdings (livestock density) are actually larger than in the FRG (1976-1980 by about 50 percent).

As in the FRG, the density of livestock holdings in the GDR means that more feed is needed for livestock farming than domestic crop farming is able to make available. In the GDR this problem is made more serious by two factors: Specific feed consumption in livestock farming is too great, and crop farming suffers from output lags. At least 20 percent of the production of animal-based food products in the GDR depends on imported feed.<sup>11</sup> This dependence is particularly marked for feed grains and protein concentrates, that is fortified feed.<sup>12</sup>

When we convert animal products into grain units (GE)<sup>13</sup>, we note that, at 3 percent per annum, this output has increased significantly more in the period under consideration than did crop yields (1.3 percent). At the same time here also the 1970's witnessed a decline in growth by comparison with the preceding decade; that decline, though, was less than in crop farming.

Distinguishing between various types of livestock and farming trends, the growth of livestock performance yields the following table:

Percentage Addition 1980 Compared with 1956/1960

	Total	Annual Average
Slaughter cattle	95	3.4
Pigs	84	3.1
Beef cattle	145	4.6
Poultry	302	7.6
Other slaughter cattle	- 61	- 4.6
Milk	51	2.1
Eggs	86	3.2

A slightly above proportionate expansion of output volume is recorded for slaughter cattle (which accounts for more than half of livestock farming). However, developments varied substantially with respect to types of slaughter cattle. An exception was the development registered for "other slaughter cattle" (calves, sheep, goats), due mainly to the radical drop in slaughter calves. Compared with the late 1950's, their output declined to one sixth.

Pork, milk and beef, with a third to a fourth respectively, took the lion's share in the growth of livestock output (by 10.5 million tons GE). These three headings account for 85 percent of the additional output.

When we try to dissect the rise in production into its components--growth of stocks and rise in performance per livestock unit--, a rather varied image is revealed with respect to types of livestock and production trends. The rise in milk and egg output is due exclusively to better performances per animal; in the case of slaughter pigs the rise is largely due to an increase in pig stocks. Both these elements contributed to the increase in production of slaughter beef cattle. As for the total of livestock output, it is true to claim that improvements are to be ascribed to one third to changes in livestock holdings, to two thirds to rising performances per livestock unit.

Productivity Lag Despite Advanced Supply Performance

In the past 20 years the productivity of livestock farming, arising from the performance of livestock farming related to livestock holdings, has risen by an average of 2 percent per annum. While this is a respectable showing, the standard is not quite satisfactory. In the second half of the 1970's livestock farming's performance in the GDR was almost 20 percent below that in the FRG. Compared with the era before total collectivization (1960) the gap has narrowed somewhat in terms of percentages; in absolute terms it has remained constant at 9 decitons (dt) per GVE.

The difference in the productivity of livestock farming is demonstrable equally by individual performance. In 1980 milk yields per cow, at 3,923 kg, were 21 percent lower than in the FRG; egg output per chicken, at 205 eggs, 20 percent lower. Pork production clearly indicates an unduly large specific feed consumption. In the FRG

The ratio of slaughtered animals in the average stock has long been about 150 percent; in the GDR the 100 percent mark was not achieved until the mid-1970's. Expressed in a different way: In the FRG a pig is slaughtered on the average at the age of 7.6 months (1980), in the GDR at 11.3 months. True, the final fattened weights in the GDR exceed those in West German farming by 14 kg or 13 percent per slaughtered animal, but this difference is far less than the slaughter/stock ratio. The specific feed requirement is therefore decidedly greater. Moreover we must take into account the fact that a higher final fattened weight implies a larger proportion of fat, signifying greater costs of fattening.<sup>14</sup>

Per capita livestock output in the second half of the 1970's shows a GDR standard higher by 25 percent than in the FRG. In that period 27 percent more slaughter cattle were produced per capita than in the FRG; in the case of milk the figure is 17 percent. This greater output is explained by the fact that the GDR has more agricultural area available per resident, and that more livestock is kept.

The GDR boasts a high degree of autonomy in foodstuffs: 85-90 percent of essential foods are home produced.<sup>15</sup> At the same time the supply level is high even now, judged by international standards, and total per capita consumption of important foods has risen substantially since complete collectivization. Average per capita consumption amounted to:

	1960	1981
Meat and meat products (kg)	55.0	90.5
Pork (kg)	33.3	58.0
Milk (liters, at 2.5 percent butter fat)	94.5	99.0
Edible fats (kg fat value)	27.4	25.8
Butter (kg)	10.4	10.9
Full cream and skim milk cheese (kg)	3.6	7.7
Eggs (each)	197	290

Despite the good showing, bottlenecks in food supplies keep recurring--lately they have become more frequent. Many deficiencies in supply result from the circumstance that the wholesale and retail trade, due mainly to its poor equipment, is often unable to get the farm products to the consumer without loss and as fresh produce at good quality and product range, nor able to get them to the consumer steadily and regionally balanced. That applies especially to such sensitive products as fruit and vegetables but also to others. On the other hand the current supply bottlenecks with regard to fresh meat are probably due mainly to increased exports to Western countries.

#### Factors Obstructing Productivity

The productivity lag in GDR livestock farming has various causes; some of them are being discussed in the country itself. Many deficiencies are obviously due to management and organizational problems; they in turn result at least in part from the size and specialization of the enterprises. The separation of crop and livestock farming, in particular, has inflicted additional hardships. Rediscovered lately has been the "uniform reproduction process in crop and livestock farming."<sup>16</sup> However,

the SED does not seem inclined at the present time to contemplate a merger of crop and livestock farming. Instead it aims, by way of cooperation councils, to achieve a "closer get-together of crop and livestock farming." These councils are to "exert lasting influence on the drafting of enterprise plans" and establish "common financial funds" so as to restore the all-round interest in smooth running farm operations. Also recommended are LPG "sections with their own plan, their own equipment and their own funds." Whether such organizational forms will be able to get the better of existing management problems must be a matter of doubt; they will more likely complicate matters even more.

An appreciable part of the management and organizational defects doubtlessly arises from the fact that enterprise managers are often simply overloaded. It is true that GDR farm enterprises now employ many university and technical school graduates<sup>18</sup> who have sound and sometimes even excellent qualifications--though tending to be overspecialized. However, management skills are often well below par. So far there has been no official acknowledgment that GDR farming all too often lacks enterprise managers who are gifted for handling people or trained to be profit conscious.<sup>19</sup> We may, however, conclude that there is such a lack because complaints have lately been heard that "the principles of socialist management tend to be disregarded,"<sup>20</sup> or demands raised "more strongly to stimulate economic thinking and here to follow on from the tested farming tradition of measuring, weighing and calculating, as is done by the best."<sup>21</sup> The sheer importance of reducing the high level of costs in farming may be seen from the fact that the "improvement of the cost/profit ratio" has been made a key target in the new five-year plan. The lowering of transportation costs is considered particularly urgent.

When contemplating the management inadequacies of present-day GDR farm enterprises we must remember, though, that external influences often prevent the appropriate and rational behavior of enterprise managements, and that to this day those subservient to the party are frequently preferred over better qualified management staffs.

Another important aspect is the so-called subjective factor, that is the attitude of people in and toward the production process. Nowadays this tends to be characterized by disinterest if not outright lack of responsibility. This becomes obvious when the call goes out for "better care for livestock, greater neatness and cleanliness in the barns"<sup>22</sup> or when complaints are voiced that "offenses against order, cleanliness and discipline are tolerated."<sup>22</sup> Though the lack of work ethic is not confined to agriculture, the effects of such attitudes are far more serious in this sector than in others, because varied and delicate living creatures need to be cared for in livestock farming.

#### Future Aspects

In the coming years the cost and profit situation in livestock farming is to be improved mainly by better feed management, improved raising, a reduction in losses of livestock and a longer working life of cows. Farm scientists have been called upon to contribute by breeding more productive livestock and submit "new results for a higher standard of feed management."

According to the minister of agriculture's words at the 12th Farmers Congress the reduction of "unwarranted differences in performance" between enterprises provides one of the "major performance reserves."

Slight increases in the volume produced are envisaged by the end of the current five-year plan. They are to be achieved mainly by better output per animal. The most important goal is that of obviating grain imports and guarantee the nutrition of the livestock from domestic feed production. To this purpose every conceivable feed reserve is to be developed, for example in meadow management, hay harvesting and pasture cultivation. All remaining areas are to be used for private livestock keeping. Specific feed consumption is to be reduced by 0.5-0.6 percent per annum. High quality coarse feed is to replace concentrates. The greatest possible feed conservation was declared the key, and it was pointed out that it would require "enormous efforts to keep livestock farming through 1985 largely at the same level."

A limitation of feed imports is quite understandable in view of the GDR's difficulties in economic relations with the West. It is, however, justified only if domestic feed output is expanded at the same time. In the present condition of the land it will be very difficult indeed to raise crop yields sufficiently and, most of all, fast enough. Furthermore, up to now various defects in livestock farming have tended to be covered up by increased feeding of concentrate. A lack of concentrate--already not exactly abundant in GDR farming--would have long lasting and serious consequences for livestock farming.

At the farmers congress the Politburo member competent for agriculture stated that the tasks represent challenges "that cannot be measured by the criteria of the past."

The absence of the expected productivity and yield gains and the generally more difficult economic situation have resulted in the fact that the industrialization of GDR farming is not advancing any further at this time. That means there will be no greater concentration of enterprises or specialization of farming in the near future. The SED has thus granted some breathing space to agriculture in the process of transformation--which had lasted for decades. At the same time no return to the production conditions of the 1960's is contemplated,<sup>23</sup> nor any yielding of the eventual target of industrialized production. Until recently GDR agricultural policy could have been summarized as "let us advance to new shores." Now the slogan has changed to "maintaining our achievements."

Table 1--Data on the Livestock Holdings of the GDR

	1956 <sup>(1)</sup> 1960	1961 <sup>(1)</sup> 1965	1966 <sup>(1)</sup> 1970	1971 <sup>(1)</sup> 1975	1976 <sup>(1)</sup> 1980	1979	1980	1981 <sup>(2)</sup>
(2)	(1) in 1 000 Stück							
(3) Rinder	4 150	4 623	5 083	5 454	5 582	5 596	5 723	5 749
(3) darunter: Kühe	2 139	2 133	2 176	2 164	2 141	2 125	2 138	2 122
(4) Schweine	8 137	8 767	9 402	10 845	11 957	12 132	12 871	12 869
(5) Geflügel	33 755	37 457	39 889	45 465	50 000	51 444	51 611	54 392
(6) darunter: Legehennen	26 449	23 503	25 271	25 286	26 465	26 500	26 844	26 025
(7) Schafe	2 031	1 911	1 767	1 747	1 956	1 979	2 038	2 169
(8) Ziegen	614	377	202	81	31	25	24	20
(9) Pferde	576	338	186	86	(10) 67	66	70	70
(11) Viehbestand, insgesamt <sup>(4)</sup>	in 1000 Großvieheinheiten (GV) <sup>(3)</sup>							
(12) Rinder	5 131	5 196	5 376	5 671	(12) 5 879	5 906	6 079	6 114
(13) darunter: Kühe	(Anteile der Tierarten in vH)							
(14) Schweine	62,6	66,5	69,3	69,1	67,7	67,4	66,7	66,5
(15) Geflügel	41,6	41,1	40,5	38,2	36,4	36,0	35,2	34,7
(16) Sonstiges Vieh <sup>(5)</sup>	19,0	20,2	21,0	22,9	24,4	24,6	25,4	25,3
(17) Rinder	2,6	2,9	3,0	3,2	3,4	3,5	3,4	3,3
(18) Schweine	15,8	10,4	6,7	4,8	(14) 4,5	4,5	4,5	4,9
(19) Sonstiges Vieh <sup>(5)</sup>	GV je 1000 ha LN/LF <sup>(6)</sup>							
(20) DDR	795	814	851	902	936	940	970	976
(21) Bundesrepublik	860	908	967	996	1 092	1 152	1 162	1 154
(22) DDR in vH der Bundesrepublik	92	90	88	91	86	82	83	85
(23) DDR	(18) GV je 1000 Einwohner <sup>(7)</sup>							
(24) Bundesrepublik	294	304	315	334	351	353	363	365
(25) DDR in vH der Bundesrepublik	238	227	222	216	228	231	231	229
(26) DDR	124	134	142	155	154	153	157	160
(27) Bundesrepublik	(19) Persönliche Viehhaltung in LPG							
(28) in 1000 GV	758	2 013	1 383	602	311	311	325	.
(29) in vH aller Viehbestände	14,8	38,5	25,6	10,6	5,3	5,3	5,4	.
<p>(22) 1) Fünfjahresdurchschnitte; DDR: November-Zählung, Bundesrepublik: Dezember-Zählung. -2) Vorläufige Angaben; Rinder, Kühe, Schweine und Schafe: Stand 31.10.1981; übrige Tierarten, LN sowie Einwohner geschätzt. -3) Durchschnittswerte in Anlehnung an den GV-Schlüssel der DDR. -4) Summe der ausgewiesenen sechs Tierarten. -5) Schafe, Ziegen und Pferde. -6) Landwirtschaftliche Nutzfläche (DDR) bzw. landwirtschaftlich genutzte Fläche (Bundesrepublik). -7) Einwohner im Jahresdurchschnitt.</p> <p>(23) Quellen: Statistische Jahrbücher der DDR; Statistisches Taschenbuch der DDR 1982; Statistische Jahrbücher über Ernährung, Landwirtschaft und Forsten; Wirtschaft und Statistik, Heft 5/1982; Berechnungen und Schätzungen des DIW.</p>								

Key:

1. 1,000's
2. Beef cattle
3. Cows
4. Pigs
5. Poultry
6. Layers
7. Sheep
8. Goats

9. Horses
10. 1,000 GV
11. Total livestock kept
12. Percentages of types of livestock
13. Other livestock
14. GV per 1,000 hectares agricultural area
15. GDR
16. FRG

/Key continued on following page/

17. GDR as percentage of the FRG
18. GV per 1,000 residents
19. Private livestock holding in LPG's
20. 1,000 GV's
21. As a percentage of all livestock holdings
22. 1) Five year averages: GDR: November census, FRG: December census.--  
2) Preliminary data; Beef cattle, cows, pigs and sheep: Status on 31 October 1981; other types of livestock, agricultural area and population estimated.  
3) Average values using the GV key of the GDR.  
4) Sum total of the six types of livestock reported.  
5) Sheep, goats and horses.  
6) Agricultural area (GDR) and agriculturally used area (FRG).  
7) Residents in the annual average.
23. Sources: GDR Statistical Yearbooks; "Statistisches Taschenbuch der DDR 1982" /GDR Statistical Manual 1982/, Statistical yearbooks on Nutrition, Agriculture and Forestry; WIRTSCHAFT UND STATISTIK, No 5/1982; DIW calculations and estimates.

Table 2--Yield of Livestock Farming in the GDR

(1) Fünfjah- resdurch- schnitte	(2) Erzeug- nisse, insge-1) samt	(3) Schlachtvieh, Lebendgewicht					(9) Kuhmilch <sup>5)</sup>	(10) Hühnereier	(11) Schaf - wolle <sup>6)</sup>
		(4) gesamt	davon						
			(5) Schlacht- schweine	(6) Schlacht- rinder <sup>2)</sup>	(7) Schlacht- geflügel <sup>3)</sup>	(8) sonstiges Schlacht- vieh <sup>4)</sup>			
(12) Tierische Erzeugung in 1000 t Naturalwert <sup>7)</sup>									
1956/60		1 276	847	265	57	107	5 497	2 961	.
1961/65	.	1 410	852	387	103	68	6 006	3 517	3 786
1966/70	.	1 763	1 060	531	124	48	7 036	4 114	3 709
1971/75		2 124	1 258	635	191	40	7 715	4 691	4 108
1976/80		2 388	1 452	673	220	43	8 155	5 287	5 355
(13) Tierische Erzeugung in 1000 t GE <sup>8)</sup>									
1956/60	13 046	6 808	4 236	1 590	340	642	5 497	741	.
1961/65	14 569	7 607	4 262	2 323	621	401	5 704	879	379
1966/70	17 952	9 516	5 302	3 183	745	286	7 036	1 029	371
1971/75	20 783	11 484	6 289	3 807	1 146	242	7 715	1 173	411
1976/80	22 887	12 875	7 261	4 041	320	253	8 155	1 322	535
(14) Struktur der tierischen Erzeugung in vH <sup>9)</sup>									
1956/60	100,.	52,2	32,5	12,2	2,6	4,9	42,1	5,2	.
1961/65	100,0	52,2	29,2	15,9	4,3	2,8	39,2	6,0	2,6
1966/70	100,0	53,0	29,5	17,7	4,2	2,1	39,2	5,7	2,1
1971/75	100,0	55,3	30,3	18,3	5,5	1,2	37,1	5,6	2,0
1975/80	100,0	56,3	31,7	17,7	5,8	1,1	35,6	5,8	2,3
(15) Staatliches Aufkommen <sup>10)</sup> in vH der tierischen Erzeugung									
1956/60	74,2	75,6	78,4	78,3 <sup>11)</sup>	22,6	.	75,1	55,8	.
1961/65	84,9	83,6	84,6	98,4	42,6	50,0	88,7	69,3	92,5
1966/70	89,5	90,0	89,6	99,9	58,3	69,4	90,5	76,0	95,6
1971/75	92,9	93,3	93,5	99,7	71,7	89,3	93,5	83,5	99,1
1975/80	94,6	95,1	95,8	99,9	76,5	95,2	95,0	85,1	99,1
(16) 1) Summe der hier ausgewiesenen Positionen, d.h. ohne Honig, Ziegenmilch und Viehbestandsänderungen sowie (bis 1960) auch ohne Schafwolle.-2) Ohne Kälber.-3) Ab 1961 einschließlich Kaninchen.-4) Kälber, Schafe, Ziegen sowie (bis 1960) auch Kaninchen.-5) 3,5% Fettgehalt.-6) Gewaschen.-7) Hühnereier in Mill. Stück; Schafwolle in Tonnen.-8) In Anlehnung an den Getreide-Einheiten-Schlüssel der DDR.-9) Tierische Erzeugung in GE.-10) Die von der Verarbeitungsindustrie bzw. vom Handel aufgekauften Landwirtschaftlichen Erzeugnisse, d.h. Erzeugung ./ Eigenverbrauch und Ab-Hof-Verkäufe.-11) Einschließlich "Sonstiges Schlachtvieh".									
(17) Quellen: Statistische Jahrbücher der DDR; Berechnungen des DIW.									



Key:

1. 5-year averages
2. Total products
3. Slaughter cattle, live weight
4. Total
5. Slaughter pigs
6. Slaughter beef cattle
7. Table poultry
8. Other slaughter livestock
9. Cow milk
10. Chicken eggs
11. Sheep's wool
12. Livestock production in 1,000 tons of value in kind
13. Livestock production in 1,000 tons GE
14. Structure of livestock production in percent
15. State yield as a percentage of livestock production
16. 1) Sum total of the items recorded here, that is excluding honey, goats milk and changes in livestock holdings as well as (up to 1960) excluding sheep's wool.
  - 2) Excluding calves.
  - 3) From 1961 including rabbits.
  - 4) Calves, sheep, goats and (up to 1960) rabbits.
  - 5) 3.5 percent butter fat.
  - 6) Washed.
  - 7) Hen's eggs in millions; sheep's wool in tons.
  - 8) Using the GE key of the GDR.
  - 9) Livestock production in GE.
- 10) Agricultural products purchased by the processing industry and the wholesale/retail trade, in other words production ./.. own consumption and direct from farm sales.
- 11) Including "other slaughter livestock."
17. Sources: GDR Statistical Yearbooks; DIW calculations.

Table 3--Data on the Productivity and Supply Performance of Livestock Farming in the GDR

		(1)	Ein- heit	1956- 1960 <sup>1)</sup>	1961- 1965 <sup>1)</sup>	1966- 1970 <sup>1)</sup>	1971- 1975 <sup>1)</sup>	1976- 1980 <sup>1)</sup>	1978	1979	1980
		(29)		(2) Tierische Erzeugung, insgesamt <sup>2)</sup> je Großvieheinheit							
(3)	DDR	dt GE		25,4	28,0	33,4	36,6	38,9 <sup>4)</sup>	39,1	38,8	38,8
(4)	Bundesrepublik <sup>3)</sup>	dt GE		34,2	40,0	43,7	45,2	47,3 <sup>4)</sup>	47,8	48,3	.
(5)	DDR in vH der Bundesrepublik	.		74,0	70,0	76,4	81,0 <sup>6)</sup>	82,5 <sup>4)</sup>	81,8	80,3	.
		(30)		(6) Durchschnittsleistungen nach Tierarten							
(7)	RINDER										
(8)	Milchertrag je Kuh <sup>5)</sup>	kg		2 585	2 675	3 255	3 607	3 832	3 853	3 873	3 923
(9)	Fleischleistung <sup>6)</sup> je Rind <sup>7)</sup>	kg <sup>*)</sup>		76	90	110	120	123	124	120	117
(10)	Lebendgewicht je geschlachtetes Rind <sup>8)</sup>	kg <sup>*)</sup>		341	324	382	410	413	408	405	411
(11)	Lebendgewicht je geschlachtetes Kalb <sup>8)</sup>	kg <sup>*)</sup>		59	66	89	103	92	95	92	92
(12)	Rinderhaltung, insgesamt <sup>9)</sup>	kg GE		1 808	1 774	2 057	2 144	2 205	2 226	2 191	2 170
(13)	SCHWEINE										
(14)	Fleischleistung <sup>6)</sup> je Schwein	kg <sup>*)</sup>		103	98	114	118	123	122	122	125
(15)	Lebendgewicht je geschlachtetes Schwein <sup>8)</sup>	kg <sup>*)</sup>		122	117	116	120	119	118	119	121
(16)	Schlachtumtrieb <sup>10)</sup>	vH		84	83	98	98	103	104	103	103
(17)	HÜHNER										
(18)	Eierleistung je Henne	Stück		130	134	158	184	200	199	197	205
		(31)		(19) Tierische Erzeugung, insgesamt <sup>2)</sup> je Einwohner							
(3)	DDR	kg GE		749	853	1 052	1 225	1 366	1 365	1 368	1 409
(4)	Bundesrepublik	kg GE		818	910	974	978	1 076 <sup>4)</sup>	1 105	1 116	.
(5)	DDR in vH der Bundesrepublik	.		92	94	108	125 <sup>6)</sup>	126 <sup>4)</sup>	124	123	.
		(31)		(20) Tierische Erzeugnisse je Einwohner (absolut)							
(21)	Schlachtvieh, insgesamt	kg <sup>*)</sup>		73,2	80,9	103,3	125,1	142,5	141,7	142,5	148,0
(22)	dar.: Schlachtschweine	kg <sup>*)</sup>		48,6	48,9	62,1	74,1	86,6	85,6	87,2	93,1
(23)	Schlachtrinder	kg <sup>*)</sup>		15,2	22,2	31,1	37,4	40,2	40,6	39,6	38,8
(24)	Kuhmilch <sup>5)</sup>	kg		315	345	412	455	487	491	490	497
(25)	Hühnereier	Stück		170	206	241	276	315	311	312	329
		(30)		(26) Tierische Erzeugnisse je Einwohner (in vH der Bundesrepublik)							
(21)	Schlachtvieh, insgesamt	vH		94	95	109	128	127 <sup>4)</sup>	123	123	.
(22)	dar.: Schlachtschweine	vH		113	103	120	137	140 <sup>4)</sup>	135	138	.
(23)	Schlachtrinder	vH		47	64	82	104	99 <sup>4)</sup>	96	93	.
(24)	Kuhmilch <sup>5)</sup>	vH		88	94	111	119	117	118	115	112
(25)	Hühnereier	vH		125	110	100	111	136 <sup>4)</sup>	138	142	.
(27) 1) Fünfjahresdurchschnitte.-2) Summe aus Schlachtvieh, Milch, Eiern und Wolle.-3) Überwiegend Wirtschaftsjahre.-4) Vierjahresdurchschnitt; DDR: 1976-1979; Bundesrepublik 1976/77-1979/80.-5) Einheitlicher Fettwert von 3,5%.-6) Schlachtviehmengen in Lebendgewicht bezogen auf den durchschnittlichen Tierbestand.-7) Einschließlich Kälber.-8) Schlachtviehmengen bezogen auf die Anzahl der Schlachtungen.-9) Summe aus Lebendgewicht von Schlachtrindern, -kalbern und Kuhmilch (jeweils bewertet in GE) bezogen auf den durchschnittlichen Rinderbestand.-10) Schlachtungen in vH des durchschnittlichen Schweinebestandes.											
*) Lebendgewicht											
(28) Quellen: Statistische Jahrbücher der DDR; Statistische Jahrbücher über Ernährung, Landwirtschaft und Forsten; Berechnungen und Schätzungen des DIW.											

/Key on following page/

Key:

1. Unit
2. Livestock Production, total per GVE
3. GDR
4. FRG
5. GDR as a percentage of the FRG
6. Average yield by types of livestock
7. Beef cattle
8. Milk yield per cow
9. Meat yield per beef cattle
10. Live weight per slaughtered beef cattle
11. Live weight per slaughtered calf
12. Total beef farming
13. Pigs
14. Meat yield per pig
15. Live weight per slaughtered pig
16. Ratio of slaughtered pig to stock
17. Chickens
18. Egg yield per hen
19. Livestock production, total, per capita
20. Livestock production per capita (absolute)
21. Total slaughter cattle
22. Slaughter pigs
23. Slaughter beef cattle
24. Cow's milk
25. Hen's eggs
26. Livestock production per capita (as a percentage of the FRG)
27. 1) 5-year averages.-- 2) Sum total of slaughter cattle, milk, eggs and wool.--3) Largely business years.--4) 4-year average; GDR: 1976-1979; FRG 1976/7701979/80).-- 5) Uniform 3.5 butterfat content.-- 6) Volume of slaughter cattle as live weight related to the average stock held.-- 7) Including calves.-- 8) Volume of slaughter cattle related to the numbers slaughtered.-- 9) Sum total of live weight of slaughter cattle, calves and cow's milk (all appraised in GE), related to the average stock of beef cattle.-- 10) Slaughters as a percentage of the average pig stocks.-- \*) Live weight
28. Sources: Statistical Yearbooks of the GDR; Statistical yearbooks on nutrition, agriculture and forestry; DIW calculations and estimates
29. Decitons GE
30. Percent
31. Each

FOOTNOTES

1. See "GDR Agriculture: Compelling Need to Raise Yields in Crop Farming," edited by Horst Lambrecht, DIW WOCHENBERICHT No 48/1981.
2. See "Die Landwirtschaft der DDR" [GDR Agriculture], collective of authors headed by Kurt Groschoff and Richard Heinrich, East Berlin 1980, p 332.

3. Common denominator for measuring stocks of the various types of livestock; 1 GV equals 500 kg live weight.
4. In 1980 private livestock keeping held only a 5.3 percent share. Since complete collectivization this rate has steadily declined. In 1970 it still amounted to 18.2 percent, by 1975 only 6.6 percent. As private livestock keeping has lately become not only acceptable to the authorities but is actually encouraged, the absolute stock rose again in the second half of the 1970's. The importance of such private holdings differs for the various types of livestock: In the case of cows and other beef cattle the 1980 proportion (1.4 percent and 4.1 percent of total livestock holdings) was slight, for pigs it amounted to almost 8 percent, for sheep to 14 percent, poultry 23 percent and horses 31 percent.
5. In intercooperative facilities the enterprises involved are cooperatives exclusively; in ZBE's VEG's are involved as well as LPG's.
6. In 1978 the "combines for industrial fattening" held the following proportions of total hields: 37 percent for eggs, 37 percent for table poultry, 4 percent for slaughter cattle and 2 percent for slaughter pigs; see E. Anders, "The Development of Industrialized Livestock Farming. Result of Successful Farm Policy in 30 Years GDR," TIERZUCHT, No 10/1979, p 444.
7. In 1980 livestock farming enterprises managed some 900 industrialized facilities, 19,000 facilities dating back to the 1950's and 1960's as well as 49,000 single barns. See Richard Heinrich and others: "Perfection of Production Conditions in Livestock Farming by Rationalization and Reconstruction," WIRTSCHAFTSWISSENSCHAFT No 11/1980, p 1331. Industrialized livestock farming shows different developments for the various types of livestock: In 1978 the percentage of stalls in industrialized facilities amounted to 12 percent for cows, 16 percent for calves, 21 percent for heifers, 28 percent for fattened pigs. A third of dairy cows are still held in barns with less than 90 stalls. In 1980 the average stocks per single barn and facility amounted to 128 for beef cattle and 532 for pigs. Industrialized farming has gone farthest in poultry keeping; In 1978 50 percent of the state yield of eggs came from industrialized facilities. See Kurt Groschoff, as before, pp 332 ff.
8. According to the report by the minister for agriculture, 25 percent of all livestock is still held in barns built before 1950 and insufficiently mechanized.
9. Half of all enterprises in 1978 still had more than six varieties of livestock or production stages and roughly 10 percent of livestock farming enterprises were then oriented to the production of one type of animal or production stage. In the average of the GDR, livestock farming at that time managed 34 barns per enterprise. See Karl Hohmann, Andreas Kurjo, Konrad Merkel, Heribert Schmitt and Herbert Schneider: "GDR: Industrially Operated Animal Farming," series of reports issued by the federal minister for food, agriculture and forestry, series A--Applied Science, No 241, Muenster-Hiltrup 1980, p VI.
10. In 1977 just about half the total livestock was fed mechanically and a little more than half the barns cleaned mechanically. In 1978 dairy production the extent of mechanization was 58 percent for feeding and 64 percent for cleaning.

The corresponding rates for beef fattening were 34 percent and 40 percent respectively. In 1978 26 percent of the stock of breeding sows were fed mechanically and 33 percent cleaned mechanically; for fattened pigs mechanization achieved 40 percent and 44 percent respectively.

11. Calculations by Konrad Merkel (Technical University, Berlin). The "imported agricultural area" in the total of foodstuffs production amounts to between 14 and 20 percent.
12. Despite considerable annual fluctuations, imports show a definitely rising trend: For grain they amounted in the average of the 1960's to 1.85 million tons, in the average of the 1970's 3.24 million tons. In relation to the domestic yield, on the other hand, the need for imports did not rise as strongly: While the percentage of imports in domestic production amounted to 23 percent in the 1960's, it rose to an average of 27 percent in the 1970's. Imports of extrac-tion ground corn and pressed cake rose from at least 400,000 tons in the average of the years 1967/1970 to more than 850,000 tons in the 1970's. See Doris Cornelsen, Horst Lambrecht, Manfred Melzer and Cord Schwartau: "The Meaning of Inner-German Trade for the GDR Economy--an Analysis by the Example of Selected FRG Deliveries and Purchases. Expert Opinion by the DIW, commissioned by the Federal Minister for Economics," Berlin 1982 (xeroxed manuscript).
13. The various farming performances are summarized in GE; crop and animal products are valued by a fixed key. This is based on the starch content of the products or the feed needed to obtain it.
14. Horst Lambrecht and Konrad Merkel with the collaboration of Wolfgang Steinbeck: "Consumption and Production of Farm Products in the GDR--Analysis and Projection," published by the federal ministry for food, agriculture and forestry in the series of reports agriculture--applied science (No 240) with the heading "GDR Agrarian Policy," Muenster-Hiltrup 1980, p 74.
15. See Kurt Groschoff and others: "Aspects of the Further Intensification of Farm-ing from the Aspect of the Tenth SED Congress Resolutions," WIRTSCHAFTSWISSEN-SCHAFT, No 11/1981, p 1299, and Werner Lindner and Horst Regling: "Agriculture--Region--Transportation," DDR-VERKEHR, No 10/1981, p 328.
16. See the "Draft Resolution for the 12th Farmers Congress," Berlin 1982. Xeroxed manuscript, p 16. See also Ernst Mecklenburg, chairman, Farmers Party, who ex-plaind in his capacity as reporter of the party executive: "It is obvious and confirmed in practice many thousands of times: Crop and livestock farming be-long together and need one another more than ever." "Party Executive Report to the 11th Congress of the Democratic Farmers Party of Germany," BAUERNECHO, 6 May 1982, supplement, p 4.
17. Heinz Kuhrig, minister for agriculture, forestry and the food industry, at the 12th Farmers Congress, NEUES DEUTSCHLAND, 14 May 1982, p 4.
18. In 1980 16,400 university graduates and 45,500 technical school graduates were employed in socialist agriculture; they accounted for 2.1 percent and 5.8 percent respectively of permanent staffs. Working in livestock and crop farming are 3.3 university and 9.1 technical school graduates per average enterprise.

19. With a total of 400,000 workers in livestock farming, the average of personnel employed per enterprise is around 110.
20. See BAUERNECHO, 6 May 1982, supplement, p 22.
21. See Bruno Lietz, lately head of the agriculture department, SED Central Committee: "Realize the Resolutions in the Spirit of the Congress," NEUER WEG, No 11/1982, pp 404f. The party executive report to the 11th Congress of the Farmers Party states: "Measuring, calculating and weighing--that must play a greater part once more in order in all LPG'S to produce more, better and cheaper." BAUERNECHO, 6 May 1982, p 25.
22. "Party Executive Report to the 11th Congress of the Farmers Party," BAUERNECHO, 6 May 1982, supplement, pp 20 and 22.
- 23.
23. The chairman of the Farmers Party added this comment: "Relatively independent regional production units with their own funds and their own plan within the framework of the total LPG plan best respond to our present experiences. That does not mean we should break down the current about 4,000 LPG's into 8,000 or 10,000. That is not the issue. There have only been a few cases where it was necessary to divide a few LPG's that had grown too big, thereby lowering the rational use of the labor capacity and equipment and causing greater costs and transport expenditures and thus make these LPG's more easily governable and manageable," BAUERNECHO, 21 December 1981, supplement, p 19.

11698

CSO: 2300/336

# ENTERPRISE MANAGEMENT, INTERNAL ORGANIZATION MEASURES DESCRIBED

Budapest FIGYELO in Hungarian No 28, 15 Jul 82 p 11

[Article by Istvan Garamvolgyi: "From Management to Internal Organization"]

[Text] Within the branch of foreign trade one has been able to observe in recent years continuous efforts whose combined effect, as reflected in the introduced changes, is intended to enhance the modernization of foreign-trade activity or, viewed from a different angle, foreign trade's adjustment to the altered and still changing requirements of the foreign markets.

Since in our country almost every economic organization is involved, directly or indirectly, in foreign-trade activity, within this manifold process the most interest and attention have focused on the expansion of the right to conduct foreign trade, on the relaxation of the foreign-trade enterprises' specialization and price monopoly, on the institutionalization and expansion of parallel export rights, and on the founding and emergence of small foreign-trade enterprises freed of specialization restrictions. And although all this is merely one direction or dimension of modernization, public interest is warranted primarily because what we observe is not a one-shot sudden burst of activity, rather the consistent and continuous application of a principle that has been laid down also in the Foreign Trade Law: any enterprise can acquire the right to export if thereby it can improve its export performance.

Consistent and continuous application is guaranteed by the fact that the minister of foreign trade has specified and published the conditions for obtaining the right to export, and to this right he has added obligations whose fulfillment can be controlled. Incidentally, the right to conduct foreign trade was granted to 20 enterprises in 1980, to the same number in 1981, and to 4 in the first half of this year. Nor has the process ceased under which small and intermediate domestic enterprises are founding and operating small but agile and flexible foreign-trade organizations to ensure more favorable opportunities for their exports.

The changes extend also to the contractual relations of the partners--i.e., the foreign-trade and the domestic enterprises. Mandatory contracting has been replaced by the freedom to contract, and the administrative restrictions on conducting foreign trade for one's own account have been abolished. Foreign-trade partnerships have had a favorable effect on the relations between partners: on the conditions of cooperation, on the mode of adopting decisions, and to a lesser extent also on the sharing of the risk. By the end of last year, 172 production enterprises and the specialized foreign-trade enterprises formed 91 foreign-trade partnerships, with independent organizations of their own in many instances.

## More Enterprises, Unified Management

To the legal, organizational and contractual changes in this process of renewal there has been added this spring also the modernization of the organization and work methods for managing foreign trade. The organizational structure that the Ministry of Foreign Trade employed until late March of this year was introduced in 1968, when every ministry that exercised economic and functional management was reorganized. In place of one-channel management prior to 1968, the Ministry of Foreign Trade was reorganized in accordance with the requirements of multichannel management that conforms to the economic reform and to the principles of modern public administration. Simultaneously also the methods of branch management, supervision and control were changed. Many general and specific reasons can be cited for the present organizational and related operational changes, and these reasons have been included in the objectives to be achieved by reorganization.

The organizational changes outlined above, the sweeping decentralization of the right to engage in foreign trade and of foreign-trade activity (up to now 165 enterprises have been granted this right, and only 40 of them are specialized foreign-trade enterprises under the supervision of the Ministry of Foreign Trade), and the several hundred ad hoc authorizations have increased considerably the enterprise structure of the branch, and this trend can be expected to continue. Even before the latest reorganization, the ministry as branch manager provided guidance and management for all enterprises engaged in foreign trade, regardless of their ministerial affiliation. But now, in its new organizational structure, the ministry is placing emphasis primarily on this function, on unified branch management, which it intends to strengthen.

The Main Department of Enterprise Supervision and Control (Vallalatfelügyeleti és Ellenőrzési Főosztály) has been established for the unified branch management of all enterprises engaged in foreign trade, but its operation will not mean a return to pre-1968 one-channel management. The new main department will first of all coordinate the direct managing activity of the other professional main departments, screening out if possible the duplications and contradictions. Of course, the decision-making authority of branch management, previously vested in the various professional main departments, has been transferred to the new main department (for example, granting the right to engage in foreign trade, authorization of parallel export rights, etc.).

Simultaneously with strengthening unified branch management, the ministry's new organizational structure has also concentrated supervisory management and control and has assigned the related tasks (for example, financial and labor problems, audits) also to the Main Department of Enterprise Supervision and Control.

The reorganization has taken into account the recent changes in the management of the economy and the management of industry. The former Light and Chemical Industry Main Department, the Metallurgy and Engineering Main Department and the Cooperation Department have been merged into a single Industrial Main Department (Ipári Főosztály) with an Energy and Chemical Industry Main Group (Energia és Vegyipari Főcsoport). The Agriculture and Food Industry Main Department has been retained. These subdivisions of the ministry are concerned with the development of production and consumption in accordance with the tasks of foreign trade, but primarily with questions related to ensuring stocks of goods for export (development, international specialization, and cooperation).



## New Organization and Regulations

The essence of the ministry's reorganization lies in a clear definition of functions and duties, rather than in the organizational changes. This effort is reflected also in the ministry's economic work: the questions and tasks related to economic regulation affecting foreign trade have been assigned to the Price and Financial Main Department; the tasks related to statistical reporting and information, to the Main Department of Economic Planning. The latter directs also the operational groups that continuously monitor the trade turnover of individual commodities, i.e., the fulfillment of the planned turnover. One objective of the reorganization, of special importance in our time, has been an improvement of the state management of marketing work, and the reinforcement of trade-policy and intergovernmental activity. This effort has not modified the organizational structure and is partially reflected in the redefinition of functions and duties, in the ministry's new organizational and operating regulations. These regulations are an integral part of the ministry's reorganization also in the sense that they, too, serve to enhance the realization of the objectives. In particular, the regulations decentralize administration and decision making (in general they enhance the role of administrators), accurately define the functions and duties of the various levels within the ministry's organization, the mode of cooperation among the main departments, the operational forms of the conferences and discussions, the mechanism that can filter out any duplication in requests for information from the enterprises, etc. This very significant modification of the ministry's organization and regulations is not an experiment, although the top officials of the ministry will evaluate later this year the practical impact and effectiveness of the changes in the ministry's organization and regulations.

### Guidelines for Development of the Foreign-Trade Enterprises' Organization

When speaking of the efforts to streamline the foreign-trade branch and foreign-trade activity, mention must be made also of a less known effort whose purpose is to adapt the specialized foreign-trade enterprises' organizational forms to the present requirements. Most of the specialized foreign-trade enterprises were formed decades ago, under foreign and domestic economic conditions radically different from the present ones (for example, under a rigid interpretation of the state monopoly of foreign trade), and their rigid organizational forms have barely changed, thereby coming into conflict with the severalfold increase in the trade turnover, with the expanded forms of contractual relations, and with the requirements of the foreign markets. Last year, therefore, the Ministry of Foreign Trade instructed the specialized foreign-trade enterprises to review their enterprise organization, and to submit by the middle of this year plans for the long-range development of their organization. The ministry issued guidelines for this work and has made organizational schemes available to the specialized foreign-trade enterprises and also to the large industrial enterprises that export their products independently. The organizational guidelines, which have prompted the specialized foreign-trade enterprises to undergo self-examination and to survey their future organization and activities, outline first of all the concept of organizational development. It is essential that the guidelines recommend the review and modernization of the foreign-trade enterprises' organization not merely in a projection to their headquarters, but in terms of their entire activity and interrelations, including also their domestic and foreign-market relations. The proposed solutions for modernizing the foreign-trade enterprises'

organization are: a holding company that controls units with separate balance sheets; conversion of the commodity main sections into subsidiaries; and in the case of foreign-trade enterprises operating on commodity markets, a concern-type large enterprise. The recommended solutions for developing the foreign-trade enterprises' operations on foreign markets are as follows: the establishment of joint foreign-market organizations and joint enterprises that simultaneously serve several domestic small, intermediate and large enterprises; the reorganization of some of the existing foreign-market organizations in this manner; the founding and operation of joint or Hungarian trading houses; agency and professional services provided by one foreign-trade enterprise for other such enterprises; and in general, cooperation among the foreign-trade enterprises on foreign markets. The guidelines for organizational development anticipate that the foreign-trade enterprises' organization must be capable of contracting production, warehousing and distribution also at home, and of providing initiative and assuming risk. Consequently, some of the specialized foreign-trade enterprises could be converted into trading houses operating in Hungary. In the case of import, for example, this could shorten distribution and marketing.

The foreign-trade enterprises will decide within their own competence how to form and develop their organization. They just completed recently their five-year organizational development plans, and a comprehensive picture of what these plans contain is not available as yet. But it is indisputable that the organizational guidelines compelled the foreign-trade enterprises to undergo self-examination, to think about how they should be organized, and therefore we will soon be witnessing changes and development also in the organizational forms that influence to a large extent the effectiveness of foreign-trade activity.

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CHAIRMAN OF ECONOMIC CONSULTATIVE COUNCIL INTERVIEWED

Warsaw ZYCIE GOSPODARCZE in Polish No 25, 11 Jul 82 p 5

[Interview with Prof Czeslaw Bobrowski, chairman of the Economic Consultative Council [KRG] by Karol Szwarc; date and place not specified]

[Text] [Question] Karol Szwarc: Mr Professor, in the current issue we are publishing a warning forecast, the second of the documents prepared by the Economic Consultative Council. However, the first report on the economy and economic policy from August 1980 to the end of 1981 has not yet been made available to the public. There are even rumors circulating that its publication has been withheld by censorship. Is this true?

[Answer] Czeslaw Bobrowski: Publication of the first report has been held up by the Council itself.

We are a country of rumors, so it does not surprise me that in this matter also, rumors arose. Rumors originate from lack of information. In this case it may be said that I contributed to the origination of these rumors, but I could not do otherwise until the plenary meeting of the Council was held. The second cause of rumors is general suspicion. I see no reason why the Council, based on some kind of exception, should be free from this.

[Question] But why has the first report not been published?

[Answer] This report is a rather long document. To publish it in its entirety would be unthinkable. I considered the possibility of a summary. It was called to my attention that certain shades of differences developed through long discussions would, in a summary, simply disappear. I readily accepted this reasoning.

However, I was, and, as a matter of fact would be, if it were not for the passage of time, in favor of publishing the report, for I attach a great deal of importance to one of the Council's tasks, which is the effect of economic matters on social awareness. And whether or not this report is good or bad, it would have a certain influence on this.

But I think that the report writer's intentions were too bold.

[Question] What, in that case, did it contain?

[Answer] The first chapter is primarily an enumeration of nine problems which faced economic policy as early as 1980, beginning with reform by way of the matter of balance of payments and ending with agricultural policy. It contained nothing revelational. This was simply a listing, a grouping, of these problems.

The second part of this chapter was a consideration of reasons as to why a very small portion of these problems were solved during 1981. Dotting the "i"'s, the opinion was expressed in this part as to what was the government's role, society's role, and "Solidarity"'s role in delaying these solutions. It seems to me that we found the wording to be rather forced. It is a fact that only two members of the Council felt that this wording is onesided. But it is one thing to deny and another to be satisfied. There were more than two who were dissatisfied with the wording. That means that a certain compromise was made. But as with every compromise, someone has to concede. Some corrections were not taken into account and actually only one voice was of a formal separate-vote type. But with this very difficult subject, some Council members really faced a rather delicate situation: there is a certain agreed-upon text but it does not fully suit them.

[Question] Were there other objections also?

[Answer] Another source of objections was the viewpoint that the report did not really bring out anything sensational. And here I must mention the following parts of the report. The second part is a description of the commodities-monetary balance, the situation in foreign trade and the balance of payments, the conversion of investment, production and employment.

The final portion is the summary, in which we list what was almost solved and what still remains to be solved. The list of solved matters was quite meager. This refers to such matters as the creation--and even this is incomplete--of the legal bases for reform, the regulation of the status of private farms and a new system in the State Farms (PGR), new principles of functioning of small-scale industry, important progress on prices of food, energy and heat and producer prices. Other problems remain unsolved. In the report we ascertained only these facts and we did not formulate programs of activity.

[Question] Why did this happen?

[Answer] We answer that question in the report. It happened first of all because there were great uncertainties and also because of the differentiation of the situation within the framework of traditional aggregates, e.g., such as the subsectors. Until this is examined more thoroughly, the picture is too global, too simplified.

[Question] Does the warning forecast differ from the first report.

[Answer] Yes, it differs very basically. Although it does not cover many problems, although it does not fulfill all of the intentions that we would like, nevertheless it contains proposals for a number of actions on the issues of external imbalance and internal imbalance. But we have still omitted many problems which remain unclear.

The first report, however, was descriptive. And thus the second argument against publishing it appeared. A number of Council members felt that from the standpoint of increasing the public's economic awareness, dissemination of this report may play a role exactly opposite of that which is intended. Ascertainment without proposals for action may evoke the feeling of insufficiency.

[Question] Do you feel that this argument is convincing?

[Answer] I do not know who is right. Furthermore, I do not know whether the majority was in favor of publishing the report, or the minority. And I deliberately do not know this. I did not propose that a vote be taken at the Council meeting. I only proposed that information be obtained as to who is for and who is against. I did not count the hands. I saw only that there was some kind of a majority and some kind of minority that could not be ignored. And because democracy is based on not only on respect for the rights of the majority but also on respect for the rights of the minority, I agreed, with a pure heart, that this report not be published.

The first report had as its aim the creation of a basis for further work, agreed upon by Council members. And this was achieved. An assemblage of 30 persons became clearer to the government and clearer to itself. I think it contributed to more idyllic relations inside the Council itself and we found a form for better cooperation of the individual Council members.

And returning to the first question, we have nothing to hide. Furthermore, when some quiet opposition as to dissemination of the warning forecast arose--I do not know myself where and by whom, and I have no intention at all to find out--then very clearly the premier and vice-premier announced that nothing is standing in the way of publication if the Council intends to make this report available to the public.

For my part, I know how these things are. A ban on publication would be a nail in the Economic Council's coffin. I have not forgotten this. Just as I have not forgotten that one of the maladies of the professional reports of the Gierke days was precisely the fact that the opinions of the advisors were not disseminated.

And, in addition, there was not the slightest doubt among the Council members that the warning forecast should be published.

[Question] The warning forecast was the subject of discussion during the meeting of the Council of Ministers' Economic Committee. Does this mean that the Council is being heard? Was use made of the attached proposals? Has a procedure for the cooperation of the Council and the government been established?

[Answer] The procedure for cooperation had already been established earlier. The standards act on appointing the KRG provides that the ministries are obliged to inform the Council of their plans in advance.

Because my youth was during the days of Pilsudski, I have remembered his saying that in Poland the individual always means more than the institution. Or, speaking in today's language, human relations are more important than regulations. In view of this, I began the Council's activities by making a call on most of the chiefs of the ministries, who designated the vice-ministers responsible for contacts with KRG.

[Question] How is this working out?

[Answer] Just as always in life. In most cases well or not too bad and in some cases still not too well. During our meeting with the Economic Committee we came to the conclusion that this form of cooperation will get better, because only when comments are forwarded while decisions are being made can it be truly useful.

We have examples of different situations among the proposals contained in the warning forecast. In the matter of a compulsory loan from enterprises, we forwarded strongly critical comments immediately after the government proposals were submitted to the Sejm. We were late, so at the same time we sent them on to the Sejm. For our part, we proposed a voluntary loan to the Sejm. The Sejm, however, as we know, took a third position. It replaced the draft loan with a stabilization tax. On the surface, the solution proposed by the Sejm differs from ours. But only on the surface. In actuality, and this is what we were concerned with, the sum of the liabilities falling to the enterprises was decreased, and the danger of administrative options was eliminated. In a word, the goals that we postulated were achieved in another way.

[Question] Are you convinced that this was the doing of the Council?

[Answer] Yes and no. For our opinion in this matter was not the only one. I believe that the mass opposition of the enterprises probably had a greater influence than the vote of the Council. But certainly we contributed to this change in some way.

[Question] And how about other matters? After all, the Council has been functioning only three months.

[Answer] In other matters we have been able to make suggestions mainly at the last minute. The formation of the Council coincided with the period of tremendous government activity. And that is why I say that the activity of KRG thus far was like getting on a train that is already moving. Sometimes we were too late, sometimes we were able to get on. And it turned out that sometimes there was a great deal of concurrence between the projects that are developing inside the government and those to which our Council would like to aim, about which the government, in turn, did not know. Sometimes it was even better: we submitted our suggestions early enough so that the government was able to know our position at the time it made its decision, on its own, of course. It happens, therefore, that we get on the train before it reaches its final stop.

[Question] Can you give us an example of this?

[Answer] For example, we proposed that the scope of foreign-exchange allowances be extended to co-producers. It turns out that the Ministry of Foreign Trade, the government's plenipotentiary for reform, and we in the Council, all thought the same. On other matters of foreign trade, we are further ahead with the proposals than the administration.

On the matter of the struggle with inflation, everyone thinks the same insofar as

as the basic problems are concerned. Inflationary tensions have eased, but are still dangerous. The results of the price operations partially alleviated these tensions, but the burden of these operations fell, and it could not be otherwise, in a way that cannot always be in agreement with sociopolitical preferences.

The Council took a clear position on this question. Activity in behalf of the protected groups on the inflation path would have been ostensible activity. Balance should be restored at the same time by a gradual, mild, extension of a stream of money for the benefit of the protected groups, and also by a redistribution of incomes which would be borne by other groups.

Various proposals appear here. We believe that the only quick and effective operation, with a certain qualitative load, is a burden in the form of an indirect stabilization tax. In this way the desired redistribution should be achieved without intensifying inflation, and perhaps even--through balance--weakening the imbalance.

[Question] The opponents of this solution say that this will dull the incentive system.

[Answer] I find the discussion on an incentive system very valuable. But when I take part in it I say that no incentive system will work when the shelves are empty.

But to return to the subject. The French say that there are not 36 ways of settling a matter--there is some limited number. If given serious thought, if interests are not at play, the same conclusions are reached. And we have probably cooperated in developing decisions that are already made at the moment we are talking. This pertains, for example, to price operations regarding vodka. I hope that the government will continue along this line. At the same time, I am happy that the announced increase in fares in city transportation will not take place. These are, after all, services of a universal nature.

Another example of cooperation with the government is the question of grain procurement. Our work was the result of previous considerations by the Food Economy Council and the Ministry of Agriculture. Thus, there was cooperation from the beginning. But in the final phase of the work differences of opinion arose.

[Question] What are these differences?

[Answer] I do not know, for we do not yet have the government's final decisions. I think that differences in positions are a proper phenomenon. I would be disturbed if the government would agree with all our proposals, for this would mean that we are not bringing in anything new. The government should sometimes disagree with something, and also sometimes change its own position.

[Question] The published warning forecast pertains to two threats: external imbalance and commodities-monetary imbalance. There are more such threats, as appears from at least the first of the government's reports. Will KRG concern itself with these issues?

[Answer] These two threats, in our opinion, are of leading importance. That is why we have given them all of our attention first.

Now we will first give our attention to the matter which arose during the course of the deliberations of the Council of Ministers' Economic Committee, the "settling" of the enterprises at a certain level of production, with no effort to go beyond that level. We are studying this problem. We have a questionnaire on this subject and are collecting our own and others' thoughts, and also those of the representatives of the particular ministries.

[Question] This matter is related to reform.

[Answer] True. I believe that it will not be easy for us to catch up with the initiative of the government's plenipotentiary for reform affairs. More often, therefore, we will be entering into this issue as into a train that is moving.

[Question] And other matters?

[Answer] We will primarily be following the results of possible moves on price matters for progress in the area of balance. Three large subjects await us in the immediate future: cooperation in preparing a system for wages for next year, in constructing a three-year plan, and in formulating a housing construction program. In all three of these issues we have been participating from the beginning of the entire conception process.

[Question] Mr Professor, are you satisfied after three months of Council work?

[Answer] How does one say this? I do not ask myself this question.

[Question] But perhaps?

[Answer] Since you insist... I am satisfied that a good method of Council functioning has been found. I believe that the small shortcomings of cooperation with the ministries can be eliminated. And most important, that we are being heard. So from that standpoint I am completely satisfied. From the personal standpoint, not completely, because I have stopped writing and appearing on television, which was very important to me. But I have hopes that sometime in the future even this will be possible, although I feel very tired. I am only two years short of 80.

[Question] I hope that you remain in good health for a long time, Mr Professor. Thank you for the interview.

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CSO: 2600/789



# INDUSTRIAL PRODUCTION SHOWS SLOWING OF DECLINE

Warsaw ZYCIE GOSPODARCZE in Polish No 24, 4 Jul 82 p 9

[Article by Ch.M. from Main Office of Statistics (GUS) materials]

[Text] The production of certain products, centrally reported in standard units, was the same or higher in May than in April and in previous months of this year. In May, 15.8 million tons of hard coal were mined, i.e., almost as much as in April (15.8 million tons) [sic]. This is an increase of 23.3 percent in comparison with last year, and a drop of 27.7 percent in relation to May 1980, and 8.5 percent in relation to May 1979.

In comparison with April this year, there was a slight increase in brown coal output. In May, 2.8 million tons were mined, as compared with 2.9 million tons in April, 3.2 million tons in March, 3.1 million tons in February, and 3.3 million tons in January of this year. In comparison with May of last year, brown coal output increased 1.5 percent.

Electric energy. In May, 8.86 billion kilowatt-hours was produced, which means an increase of 0.2 percent in relation to May of last year. The decrease over five months was 0.2 percent.

However, crude oil refining increased significantly in May in comparison with April and preceding months of this year. It amounted to 1.2 million tons in May, as against 1.1 million tons in April; 1.1 million tons in March; 0.9 million tons in February; and 1.0 million tons in May of last year.

As a result, 22.8 percent more fuel for gasoline engines was produced in May in comparison with May of last year; fuel for diesel engines increased 38.1 percent, and heating oils by 10.4 percent.

Production of electrolytic copper remained at the level of April of last year--30.0 thousand tons, an increase of 11.9 percent over May of last year. In previous years monthly production of electrolytic copper amounted to 32.0-33.0 thousand tons.

The processing industry continues to be represented modestly in this group of products, whose production did not drop (or dropped slightly) in comparison with last year.

Thus we can list farm tractors here, of which 4,500 were produced in May, against 4,600 in April, 5,300 in [March], 4,400 in February, and the same in January of this year [as published]. Last year the production of these tractors fell in May to 3,200 from 4,500 in April. In previous years the monthly production of tractors was at the 4,500-5,500 level.

Soaps and detergents. In May, 25,300 tons; in April, 24,400 tons. In May of last year, 10 percent less. In previous years, approximately 25,000 tons monthly was produced.

About 19 percent more soda ash was produced in comparison with May of last year, 27 percent more polyethylene, and 11.7 percent more polystyrene and copolymers. As a result, production of these chemical raw materials during the first five months reached a level somewhat higher than that of the same period last year.

Fiberboard. In May, 10.9 million square meters; in April, 9.9 million square meters; in comparison with May of last year, 48 percent more, and for the first five-month period 1.6 percent less in comparison with five months in 1981.

Products from slaughter of butcher animals. In May, 157,000 tons. This meant an increase of 23.6 percent in comparison with April of this year and 13.2 percent in relation to May of last year. Signals of declining tendencies in farm-animal raising continue to appear, which may reflect unfavorably on this production in the following quarters.

Butter. In May, 18,300 tons, compared with 12,600 tons in April. In comparison with May of last year, this was 6.6 percent less. But for a five-month period, a growth of 4.3 percent is still recorded.

In the group of items with a production higher than last year are also cigarettes, of which 7.1 billion were produced in May, i.e., the same as in April and 10.1 percent more than in May of last year and 6.1 percent more than in April of last year. For the five-month period, cigarette production was 3.7 percent greater in comparison with five months in 1981.

In the production of most manufactured goods, the production level in May did not approach that of last year. But the number of products whose production over a five-month period did not drop more than 10 percent in comparison with the same period last year increased.

Coke from hard coal. In May, 1.5 million tons; 6 percent less than in May of last year. A drop of 5.1 percent for five months.

Sulfur. In May, 0.4 million tons. A decrease of 8.8 percent in relation of May of last year. A drop of 5.1 percent over five months..

Nitrogen fertilizers in terms of  $N_2$ . In May, 101,500 tons. A drop of 11.6 percent from May of last year, and 6.5 percent over five months.

Phosphatic fertilizers in terms of  $P_2O_5$ . In May, 67,900 tons; 1.1 percent less than in May of last year, and 4.9 percent<sup>25</sup> less over five months.

Plastics. In May, 42,900 tons. This indicated a considerable improvement in relation to April of this year (approximately 10 percent) and in comparison with May of last year (a 4.2 percent production increase). Over a period of five months, plastics production was 8.7 percent lower in comparison with last year.

Cement. Production in May, 1.5 million tons; in April, 1.3 million tons. A decrease in production in May of 2.3 percent in relation to May of last year. Over five months, 1.5 percent decrease.

Lumber as a whole. May, 0.48 million cubic meters. In April, 0.47 million cubic meters. A drop of 8.8 percent in production in May in comparison with May of last year. Over five months, a drop of 9.8 percent.

Including coniferous lumber. In May, 0.42 million cubic meters. In April, 0.40 million cubic meters. A 2.9 percent drop in production in comparison with May of last year; 10.6 percent over five months.

Paper. In May, 85,000 tons. In April, 79,000 tons. An increase in May of this year over May of last year of 5.5 percent. Over five months a production drop of 6.8 percent.

Cardboard. In May, 19,500 tons--the level of May of last year. In April of this year, 18,000 tons. Over a period of five months, a production decrease of 9.5 percent.

Consumer vegetable fats. In May, 20,300 tons. In April there was 21,300 tons. A decrease of 10.6 percent in relation to May of last year, and 5.2 percent over five months.

Unfortunately, the number of items whose production during a five-month period was lower in comparison with last year by over 10 percent continues to be large. In extreme cases, the drop is several score percent. In May, in comparison with April and previous months of this year, there were considerable changes also in the production level of this group of products.

Rolled products. May production, 919,000 tons. In April, 858,000 tons. A decrease in production in comparison with May of last year of 11.4 percent, and over five months, 21.1 percent.

Steel tubing. In May, 19,000 kilometers; in April, 19,500 kilometers. A 15.7 percent drop in production in May of this year in relation to May of last year, and 22.9 percent over five months.

Aluminum. In May, 4,100 tons; in April, 3,900 tons. A drop of 24.2 percent in relation to May of last year. Over a five-month period, a 40.9 percent decrease.

Electrical washers and dryers. Continue to be very bad. In May, 35,200 were produced; in April, 35,400. Production decline in comparison with May of last year, 44.9 percent. Over a five-month period, production dropped 27.4 percent.

However, a distinct improvement took place in the production of refrigerators and freezers. In May, 51,500 were produced, in April only 38,900. In comparison with May of last year, production grew 10.9 percent. But the production decline over a five-month period is still 24.3 percent (over a four-month period it was 31.9 percent).

Railroad freight cars. In May a further decrease in their production took place, to 566, in comparison with 608 in April. In relation to May of last year, the drop in production of railroad freight cars amounted to 33.2 percent, and over a five-month period, 41.1 percent. It is worth recalling here that in previous months monthly production of freight cars reached 1,400.

Passenger cars. In May, 19,700 were produced; in April, 18,900. A 13 percent decrease in comparison with May of last year, and 33.5 percent over five months. In comparison with 1980, the decline in automobile production was even greater, since that year monthly production was over 33,000.

Trucks and road tractors. In May, 2,800, the same as in April and 17.9 percent less than in May of last year. A decrease of 23.3 percent over five months. In 1980, monthly production reached 4,600.

The production of electromagnetic cable is rising from the bottom. In May, 1,700 kilometers were manufactured. In April, 1,500 kilometers. In relation to May the production drop amounts to 18.7 percent, and 46.5 percent over a period of five months.

The production of radio sets continued to be low. In May, 143,000; in April, 147,000. A 21.6 percent drop in comparison with May of last year, and 21.4 percent over five months.

But the production of television sets increased a little. In May, 55,500 were produced; in April, 47,000. The drop in production in relation to May of last year amounted to 14.7 percent, and for a five-month period, 34.2 percent. It is worth adding that in 1980 monthly production of television sets amounted to 90,000.

In the production of many products of the chemical industry the decline in production over a five-month period (in comparison with last year) exceeded 20 and 30 percent.

Synthetic rubber. In May, 7,800 tons, in April, 7,300 tons. An 18.6 percent drop in production in comparison with May of last year; over a five-month period, 21.7 percent.

Chemical fiber. May production, 18,100 tons. In April, 14,300 tons. A 5.1 percent drop in production in comparison with May of last year, and 23 percent over a five-month period.

Polyvinyl chloride. In May production amounted to 5,400 tons and was below that of April (6,100 tons). The drop in production in relation to May of last year was 34.2 percent, and 27.4 percent for the five-month period.

Tires. In May, 0.47 million were produced, and 0.48 million in April. In comparison with May of last year the drop was 14.7 percent, and over five months, it was 24.9 percent.

The production of cotton and cottonlike cloth also declined in May. In that month 60 million meters were manufactured. In April, 57.6 million meters. The decline in production in comparison with May of last year was 11.2 percent, and 16.3 percent over five months. In 1980, monthly production of these fabrics reached 80 million meters.

The production of wool and woollike cloth in May totaled 7.5 million meters and was somewhat lower than in May of last year. The drop in this production over a five-month period and in relation to May of last year amounted to 18 percent.

Total amount of footwear produced in May was more or less the same as in April--approximately 9.9 million pairs. The decline in production in comparison with May of last year amounted to 11.4 percent, and over the five-month period, 15.8 percent.

Deep-sea fish products. In May, a drop in production occurred, to 49,000 tons from 56,500 tons in April. In comparison with May of last year, the decrease amounted to 14.1 percent; for the five-month period, a decrease of 23.4 percent.

Commercial fodder mixtures. In May, 0.5 million tons. In April, 0.4 million tons. The drop in production in comparison with May of last year was 40.3 percent. For a five-month period, 33 percent.

The largest decrease was in the production of butcher poultry. In May it amounted to 5,100 tons, in April, 4,900 tons. The drop in relation to May of last year--82.6 percent. During a period of five months, poultry production declined 55.6 percent in comparison with last year.

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CSO: 2600/755

## MINISTER DISCUSSES CURRENT AGRICULTURAL, FOOD SITUATION

Katowice TRYBUNA ROBOTNICZA in Polish 29 Jun 82 p 3

[Interview with Jerzy Wojtecki, minister of agriculture and food economy, by TRYBUNA ROBOTNICZA staff writer Wieslaw Wesolowski; date and place not specified]

[Text] [Question] Comrade Minister, there have been reports in the press about the negative influence of drought, followed by frost, on the forthcoming crops. Readers are very sensitive to such signals. Please, tell us whether we should expect bad crops.

[Answer] Spring has not been very good for agriculture. This is a fact, not a rationalization of future failures, as some might think. For there is a tendency to believe that when things don't turn out right in agriculture we blame drought or too much rain. In fact, unfortunately, this year's April has been dry and in May the rainfall was 30 percent less than normal; there were heavy frosts in June with temperatures as low as  $-7^{\circ}\text{C}$  in some regions--this has taken its toll. Thus, how can we evaluate the situation? In spite of everything, it is not too bad when it comes to crops although we will not have the spectacular successes we had hoped for, because of the aforementioned climatic conditions as well as because of lower deliveries of mineral fertilizers--10 kgs of pure ingredients less per hectare than last year and also because the amount of available pesticides was lower. The crops could reach average levels as measured over a number of years. It will not be a bad harvest even though 4,000 hectares of tomatoes, 4,000 hectares of cucumbers, and greenbeans were destroyed by frost; tobacco plants and other plants sensitive to frost at this time of the year have suffered. In the Biala Pdlaska and Bialystok regions potatoes were also killed by frost. In these parts, we have to expect a decline in the yields of some 30 to 40 quintals per hectare. Nevertheless, I repeat once more, that despite these unfortunate occurrences, we are viewing this year's crops with guarded optimism. I believe that the grain harvest should not be much worse than last year. But please keep in mind that as recently as 2 months ago we thought that they would be higher than last year. The crops of hay are not bad, particularly as concerns quality. Other fodder crops also look good, including corn. Thus, nothing indicates a bad harvest.

## We Have Built Up Meat Reserves

[Question] When purchase of livestock was minimal, it had a terribly bad effect on supplies in the stores. The present increase in purchase--boneless beef is being sold without ration cards--is deemed to be a threat to cattle raising in the long run. How to explain that?

[Answer] In the fall and winter, livestock procurement was so low that we had to resort to imports. The situation has changed in the first months of the year because of higher prices and limitations on free selling. Overall, procurement is the same as in the same months last year. But we are procuring more "red" meat--beef and pork--and much less poultry, for well-known reasons. In April and May, procurement was even 10 to 12 percent higher than predicted. At the same time, not all of the meat was sold to coupon holders which allowed us to send between 10,000 and 20,000 tons to refrigerated storage each month. Because the capacity of our refrigerated storage is not large, after a few weeks, they were full. At present, the meat reserves are the same as in any other self-respecting country, enough for a few weeks. In order to make room in the cold storage we would have to lower the prices of some 15,000 tons of food products, demand for which has fallen considerably. I know that journalists and consumers criticize us for postponing the decision to lower prices by 30 percent. I would like to point out that, under the new financial arrangement, the producer could not do that because there are no funds to cover the loss. We had to obtain subsidies of over 100 million zloty. That was the reason for the delay. But even at reduced prices, the sales of the frozen foods have not increased significantly. For this reason, it was decided to sell, without ration cards, during the summer vacation period, about 14,000 tons of beef and 10,000 tons of poultry (geese, ducks and turkeys, as there are no chickens). The government also decided to send 100 million eggs to vacation centers, kindergartens and nurseries at 4 zloty each. In this case, the government subsidy amounts to several hundred million zloty. Doubtless, improved supplies in the market and greater ease of purchase also improve the situation in the cold storage.

## There Will Be No Ration Cards for Bread

[Question] What is in store for us in the next months? Will we survive the winter without bread ration cards and without limiting further the already skimpy meat allowance? What about oil and sugar?

[Answer] With the reserves we have and prospects of purchases, we should be able to totally cover the needs of the ration card system. What will happen early next year, it is hard to tell. We have submitted some suggestions to the Economic Committee of the Council of Ministers. It would involve buying abroad a quantity of high-protein fodder, fodder grain, much less, of course, than in previous years. It would allow us to offer to exchange 60 kg of fodder for 100 kg of cereal. I am convinced that as a result of this exchange there would be a realistic possibility of obtaining, from our own production, about 5 million tons of cereals. There is still no decision in this matter, it requires foreign currency. We propose to cover part of this import of cereal and fodder with meat export. I have touched upon this in a conversation with the representative of the TRYBUNA ROBOTNICZA, so that its readers

would be aware of this concept because lack of information often leads to misconceptions of the kind: "They are exporting meat again instead of selling it to the citizens." We want to export only enough to partially pay for the import of cereal and fodder. This export, then, is advantageous because for a kilo of meat sold abroad we can buy enough fodder to obtain 2 kg of meat, without mentioning meat by-products, which stay in the country.

So I think that there won't be bread rationing and that we will be able to avoid cutting the meager meat rations. But oil will have to be imported. About 100,000 hectares of rape were frozen and what remains is not of the best quality. Foreseeing having to import oil, we also keep in cold storage regularly, more lard than needed, as a reserve in case we cannot buy oil. As for sugar, it is too soon to forecast the harvest. So far, the beets are good and if the weather is favorable we might have a repetition of last year, when good harvests allowed an increase in the sugar rations.

#### Finally, the Production of Simple Tools Is Starting

[Question] Can one notice the influence of the reform on the relationship between agriculture and industry? Are we threatened with the return to the scythe and to sowing from a piece of cloth tied around the farmer's waist?

[Answer] At this moment, we cannot yet state that the reform has changed the attitude of the producers. If I said anything else, the farmers reading TRYBUNA ROBOTNICZA would reproach me. Unfortunately, this year, like last year, there is still a shortage of not only large equipment but also of simple tools. This, I can say without exaggeration, is a shameful situation. The farmer cannot understand why he cannot buy buckets or pitchforks. At the same time, what he sees today indicates that tomorrow things should be better. I believe that industry, as early as next year, will solve a lot of problems which now make the farmer's life difficult. There should not be a shortage of simple tools or instruments, so necessary in agriculture.

There will also be more machines. I am sure of it after the recent conversations at the fairs. But I wish to call attention to the fact that in order to hasten this process, we will have to give the producers additional material incentives. I think that taxes should be lowered on factories undertaking production of farm implements. We should not be faced with sowing from a cloth but rather with abandoning this "technology" because right now it is still in use here and there. Much further removed and complicated is the matter of filling the need of agriculture for chemical products, because of the outlays and time involved. As recently as 3 weeks ago, preliminary plans called for the chemical industry to ensure, in 1985, 214 kg of pure mineral fertilizers per hectare. Today, there is talk about the possibility of lowering that allotment by 10 kg. This does not provide grounds for optimism. But these are only preliminary discussions of the future.

[Question] Thank you for talking with us and for allaying our fears about the immediate future.

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## BRIEFS

SMALL BUSINESS IN KOSOVO--There are big plans to open artisan shops, service businesses, workshops, and small farms; it is said that small-scale business will no longer be of secondary importance in 5 years. Kosovo recently got the right to use \$4 million in credits from the International Corporation in Washington to develop small business, and experts from this bank were recently in Kosovo. From the Fund of the Federation the artisan sector in Kosovo will get 1.2 billion dinars, most of which will be used to build new artisan facilities in both the socialized and private sectors. According to available data, about 26,000 workers from Kosovo are working in Western Europe, but about 6,000 are expected to return very soon. In a survey of those who want to return in 1982 or 1983, most want to open their own artisan shop or unite with some contract organization. Interest in the artisan sector is reviving not only among returnees but also among the rest of the Kosovo population. There are now about 6,000 artisan shops in Kosovo, employing 6,600 workers. Since the law permits the employment of five workers in a [private] artisan shop, if each shop employed only one more worker, this would mean 6,000 new jobs. However, there are still quite a few instances of various bureaucratic barriers and distrust. For instance, in Prizren someone interested in opening an artisan shop waited a full 6 months for an opinion from the local community, after which the secretary of the local community rejected his request. There are also examples of the inspection organs closing pastry shops or other eating places for no reason, so it is believed that certain opstinas implement the policy [on small business] in their own way. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7-8 Jul 82 p 2]

LAND REDISTRIBUTION IN BOSNIA--The Republic Assembly of Bosnia-Hercegovina has signed a social agreement on financing the costs of redistributing [komasacija--joining smaller parcels into a larger whole] agricultural land, the first redistribution of this kind in the republic. The redistribution will be carried out on over 60,000 hectares during the 1981-85 period, permitting the development of agricultural production on larger parcels using modern technical methods. In some communes this work has already begun and the results are very good. Average per-hectare wheat production in the republic is only 2,192 kg but with better land distribution one could normally expect a per-hectare yield of 4,000 kg or more and with much lower costs. After redistribution in Bosnia-Hercegovina total wheat production is expected to increase from the present 160,000 to 300,000 tons. [Excerpt] [Sarajevo OSLOBODJENJE in Serbo-Croatian 2 Jul 82 p 1]

CROATIAN FOREIGN EXCHANGE, TRADE--For every \$100 of foreign exchange earned in Croatia \$20.9 is used to pay off debts, while for the Federation this amount is \$15.9. In addition, \$17 of the \$100 earned in Croatia is used to purchase oil, \$5 is used to meet obligations to the Federation, and \$18 is used to import consumer goods. Thus, only \$23.2 of the \$100 is left for exporters [to import raw materials]. Domestic and imported raw material reserves at the beginning of June were at a critical limit; there is a lack of fuel, coking coal, paints and lacquers, rubber and special steels, raw materials for the chemical industry, wool and cotton, pig iron, iron for reinforced concrete, paper, and various kinds of spare parts. Most producer goods which can still be purchased are of poorer quality. More than one-half of the economic organizations have had to stop production for several days sometime this year. But despite all difficulties, payments on foreign loans have been made on time, with rare exceptions when they have been slightly late. In 1981 Croatia's exports accounted for 22.1 percent of all Yugoslav exports; they accounted for 22.7 percent of exports to the convertible-currency area and 21.2 percent of exports to the clearing account area. In the same year Croatia accounted for 25.2 percent of Yugoslav imports (25.5 percent to the convertible-currency area and 24.4 percent to the clearing-account area). [Excerpt] [Zagreb DANAS in Serbo-Croatian 15 Jun 82 pp 5-7]

CROATIAN ECONOMY--In the first 6 months of this year industrial production declined by 0.3 percent compared to the same 1981 period, largely because of reduced imports of raw materials and semifinished goods. Considerably lower production was noted in 20 industrial branches in the republic. Nevertheless, exports increased, amounting in January and February to \$136 million (thanks to exports of ships). For the first 6 months exports were 9.3 percent higher and 11.9 percent higher to the convertible-currency area than last year. Imports were 18.5 percent lower. [Excerpt] [Zagreb VJESNIK in Serbo-Croatian 23 Jul 82 p 4]

RETURNEES TO MACEDONIA--With the help of the agricultural bank in Skopje 1,400 workers who will return from work abroad will be employed by the end of the year; about 1,000 will get jobs in Skopje, and the remaining 400 in Tetovo and other Macedonian cities. All will be employed if they deposit between 200,000 and 400,000 dinars in foreign exchange bank accounts for which they will receive 7.5 percent interest over 5 years. Thus, 110 returnees have already been employed in several Skopje enterprises which have agreements with the bank on employing returnees on the basis of foreign exchange deposits. The agricultural bank in Skopje is the only organization of this kind in the country and has a special section dealing with returnees. Three years ago it set up special plan to employ returnees which calls for the building and sale of housing for them, providing sites for artisan shops, granting credits for cultivating fruit and vegetables, building poultry and livestock farms, and purchasing agricultural machinery. [Text] [Zagreb VJESNIK in Serbo-Croatian 15 Jul 82 p 4]

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